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NEWSPAPER

February 23, 1987

Advertising Age®

Crain's International Newspaper of Marketing. In Two Sections, Section 1.

Food industry feast

Spending up 17%; new lines promised

By NANCY GIGES and JULIE FRANZ

WESLEY CHAPEL, FLA.—The country's major food marketers plan to boost their advertising and marketing expenditures an average 17% this year.

Confidence in the strength of their basic businesses will fuel new-product introductions—mostly line extensions—after a surprisingly successful 1986, according to top executives from 16 companies making presentations to the Consumer Analysts Group of New York, meeting here.

These companies spent about $5.1 billion last year and expect to spend $6 billion this year.

Quaker Oats Co. Chairman-ceo William Smithburg voiced a common theme by saying 1987 is "marked with the beginnings of renewed growth."

And marketing spending is expected to continue growing through the decade, industry analysts say, as food companies reinvest dollars saved from lower taxes. Overall, the more favorable tax law should reduce the industry's tax liabilities by about one-fifth, analysts report.

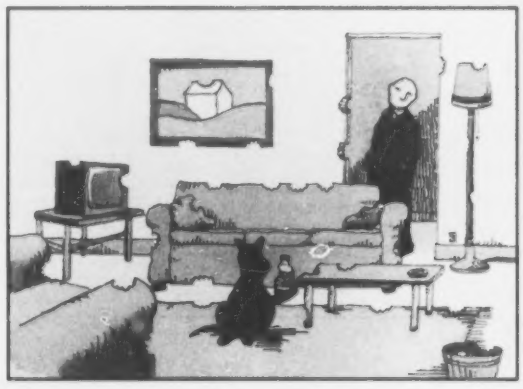
Much of the increase in marketing support is going into building existing brand franchises, many acquired in the recent flurry of mergers and acquisitions.

For example, Chicago-based Quaker said it will put particular emphasis on its new Golden Grain brands (rice and pasta side dishes), which came last year with the Golden Grain Macaroni Co. buyout.

New packaging and fresh advertising for Rice-A-Roni and Noodle-Roni is planned for June. Quaker Senior VP Hedric "Pete" Rhodes also said to expect Golden Grain entries in additional categories by summer.

Quaker's marketing budget is expected to rise 15% to $812 million, Mr. Smithburg said. Of that, $203 million is earmarked for adver-

(Continued on Page 94)



Zeltzer with a twist of Riney

"Elliott's dog decides he prefers Zeltzer Seltzer" says the voiceover in this offbeat TV spot from Hal Riney & Partners, Chicago, for the introduction of Anheuser-Busch Cos.' new soft-drink line. The product should begin appearing on retail shelves this week in about half the country, with advertising starting in April. TV commercials will run only on MTV:Music Television; radio spots will air on major-market stations targeted to 12-to-24-year-olds *(see story on Page 90)*.

Chevy, P&G join in promo for free cars

By MICHELLE KREBS
Crain News Service

DETROIT—Chevrolet will put keys to its new Corsica and Beretta models in boxes of Procter & Gamble Co. products in a merchandising program the automaker believes is the largest cross-promotional effort ever.

Cincinnati-based P&G will commit nearly $40 million to support the promotion, and Chevrolet will give away 750 vehicles, worth about $10 million.

The promotion, which also includes Chevy's new full-size pickup truck, kicks off April 25, the day after the pickup's formal introduction.

Plastic keys will be placed inside packages of seven P&G products—Bounty paper towels, Charmin toilet paper, Crest toothpaste, Downy fabric softener, Folgers coffee, Pampers disposable diapers and Tide laundry detergent.

Consumers can take the keys to a local Chevy

(Continued on Page 92)

Last Minute News

Defense questions Y&R contact

WASHINGTON—The Defense Department is reviewing whether a former chief of staff of the Army Recruiting Command had improper contacts with Young & Rubicam as that agency prepared its ultimately successful bid for the $100 million Army recruitment account. Col. Bob Phillips retired from the military Sept. 1 and "shortly thereafter" became a consultant to Y&R, the Army said last week. Col. Phillips' conduct before his retirement is the subject of the review, an Army spokesman said. The Army said the award of the contract to Y&R is unlikely to be affected. Y&R had no comment on the review.

Time Inc. to keep SAMI/Burke

NEW YORK—Time Inc., reacting to disappointingly low bids from only two prospective buyers, has decided not to divest its SAMI/Burke marketing research subsidiary, sources say. It is believed Carlyle Daniel, 56, former chairman of SAMI/Burke, will announce his retirement from Time Inc. in the near future. Insiders speculate that Time Inc., due to financial concerns, may back off from its commitment to finance half of the development costs of ScanAmerica, a national

(Continued on Page 8)

JWT's woes

Pepsi, Kellogg shifts overseas hurt agency

By LAUREL WENTZ

While J. Walter Thompson Co. attempts to present a "business as usual" front in the wake of its management shakeup, the agency is finding international assignments from key clients PepsiCo and Kellogg Co. under siege.

And wherever JWT's bonds are breaking, Leo Burnett Co. appears ready and eager to pick up the pieces.

Burnett, which handles the Seven-Up International business acquired last year by PepsiCo and which shares Kellogg's global account with JWT, appears to be making a calculated push to gain additional assignments from both clients.

That spells more bad news for JWT Group chairman-ceo Don Johnston, who reinstated himself as the agency's chairman after dismissing Joseph O'Donnell. The group reported disappointing fourth-quarter financial results, partly due to international *(see story, Page 96)*.

The latest blow to JWT's overseas network came last week when it was abruptly fired from the $9 million Pepsi-Cola account in the U.K., the third piece of Pepsi business the agency has lost in the past month. Additionally, unofficial reviews of JWT's Pepsi assignments in Brazil and Argentina are under

(Continued on Page 96)

Highlights

Feast year for food marketers 1
The country's major food marketers plan to boost their advertising and marketing expenditures an average of 17% this year. Confidence in the strength of their basic businesses will fuel new-product introductions after a surprisingly successful 1986, according to top executives from 16 companies making presentations to the Consumer Analysts of New York.

Penney for your needs 3
J.C. Penney Co. last week turned television home-shopping into an interactive videotex grocery store, automobile dealer, travel agent, ticket agent and department store.

Bad news for Dallas paper 4
Texas Attorney General Jim Mattox is expected to file suit against the *Dallas Morning News* in the city's continuing newspaper circulation war.

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McDonald's Corp. last month launched its first major print effort in many years. Barely a month into what is projected to be a yearlong campaign, McDonald's advertising awareness rating already is significantly fatter.

Rinse cycle for mouthwashes 24
Market share positions in the $500 million mouthwash category have remained stable despite the introductions of several heavily touted plaque-fighting oral rinses coupled with category ad spending of $56 million.

Is pregnant woman unsightly? 32
Alfin Fragrances' use of a partially nude pregnant woman to sell skin cream is causing a bit of a flap. Birthright by Irma Shorell, Alfin's skincare line that claims to minimize stretch marks and cracked nipples during pregnancy, was introduced to consumers this month in a $2 million print campaign.

Burnett charts growth 82
The new top executives at Leo Burnett Co. here have begun their reign with an increased commitment to growth from direct marketing, in-house TV commercial production and international expansion through acquisitions.

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Stark contrast to New York 72
Saatchi & Saatchi's London agency is exporting a top creative in the U.K. ad industry to New York. Jeff Stark, currently joint creative director of Saatchi & Saatchi Compton Worldwide and one of a handful of creatives who helped to build the first Saatchi office from a creative hot shop into a London mega-agency, is joining Saatchi & Saatchi Compton in New York.

INTERNATIONAL

Ad growth continues abroad 60
Foreign ad spending increases will continue to beat U.S. growth, but by a smaller margin than last year, according to the latest Advertising Age survey of ad executives.

Brewers trim sports sponsorships 61
Australia's two largest brewers, Bond Brewing (Swan, Tooheys and Castlemaine XXXX) and Carlton & United (Fosters) will cut back sponsorship of Australian sporting events following a study that questions the promotions' value.

OTHER NEWS

Ford Motor Co., which surpassed General Motors Corp. in 1986 profits, closed the gap in ad spending as well. Ad budgets are closely held secrets in the auto industry, but the most recent available numbers from tracking services indicate No. 2-ranked Ford and industry leader GM running close on total corporate ad outlays last year. Page 3.

Tobacco advertising opponents plunged ahead last week with a House bill to ban tobacco advertising and promotion. Page 12.

Specialty meat producers are having a tough time selling precooked roasts, super-trimmed steaks and "light" and "natural" beef because most consumers remain unaware of the new products. Some grocers are even questioning the validity of the products' "natural" claims. Page 76.

Frank Mingo has watched scores of black-owned agencies fail in the past 10 years. And four months ago he suffered the defection of his longtime partner. Yet Mr. Mingo's namesake agency, Mingo-Jones, recently purchased stakes in four hispanic and Asian agencies in California to broaden its ethnic reach. And the agency has picked up three prestigious accounts this year. Page 89.

Anheuser-Busch is relying on two uncharacteristic marketing tools to introduce its Zeltzer Seltzer soft drink: animation and word-of-mouth. Page 90.

SPECIAL REPORT

Consumer demand for quality products and services is changing the way the automobile industry does business. Manufacturers push quality in their advertising; dealers stress it in personnel training.

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Paramount, Coke drop out of LBS talks

By WAYNE WALLEY

Los Angeles—The on-again, off-again talks concerning a joint purchase of Grey Advertising's share of LBS Communications by Coca-Cola Co. and Paramount Pictures Corp. are off.

Sources said negotiations have ended, but a Coca-Cola Telecommunications spokeswoman would not rule out a future liaison between the three companies.

Other observers, however, believe a new deal now would be impossible.

"One rumor is the price was too high," a source said, "but another says the powers-that-be at Coca-Cola simply do not want to deal with LBS."

LBS Chairman Henry Siegel could not be reached for comment, and Herman Rush, chairman-ceo at Coca-Cola Telecommunications, would not acknowledge an interest or disinterest in LBS.

Mr. Rush did say that Paramount and Coca-Cola are moving ahead with forming a new barter sales joint venture (AA, Jan. 19) and are "looking at all options, including purchasing or merging with an existing barter company."

That move, which originally was to include LBS as a third partner, instead is creating a schism between Coca-Cola and New York-based LBS, the nation's largest barter sales company.

Both Mr. Rush and Lucie Salhany, Paramount's president of domestic TV and video programming, were in New York last week, reportedly on a personnel search to staff the new company.

Ms. Salhany, reached at Paramount's New York office, said the trip concerned other business. She added that a purchase of Grey's share of LBS had not, at any time, been imminent. "We've spent too much time denying this," she said. "LBS was never part of the deal."

But other sources said negotiations heated up in January and soured before last month's convention of the National Association of Television Production Executives.

There are reports that all this spells trouble for Colex, the joint distribution and marketing arm of Coca-Cola Telecommunications and LBS.

> "We've spent too much time denying this. LBS was never part of the deal."
>
> *—Lucie Salhany, Paramount's president of domestic TV and video programming*

Neither Coca-Cola nor LBS would comment, but sources said the companies have told Colex employees confidentially that their company could be phased out within six to eight months.

But both Coca-Cola and LBS contend Colex is thriving.

"But if you look closely," one source said, "Colex doesn't really have any new product; the expansion has stopped. That should tell you something."#

Rainier National turns to McCann

Seattle—Citing "creative differences over strategy," Rainier National Bank moved its $4 million account to McCann-Erickson, ending a 1½-year relationship with Young & Rubicam, San Francisco.

The bank, with about 140 branches, made the account change without a review.

When Rainier conducted a full-scale review less than two years ago, it contacted major Seattle and San Francisco shops, eventually narrowing the competition to Elgin/Syferd and DFS/Dorland, San Francisco (AA, Aug. 12, 1985). McCann didn't compete, because it held the Peoples National Bank account, which it has since lost.

Under the direction of Y&R, Rainier has presented itself in advertising as a complete supplier of financial services. The strategy is designed to give it an advantage when competition intensifies with bank deregulation.

Effective July 1, out-of-state banks will be allowed to open branches in Washington and change the name of acquired banks. Financial analysts have long pointed to Rainier as a likely acquisition candidate.

* * *

DDB Needham promoted San Francisco Chairman Martin Michael to vice chairman of the agency's western operations, a new position. Mr. Michael will evaluate agency acquisition candidates in Arizona, California and the Pacific Northwest. He reports to DDB Needham West President Alan Pando.

West Coast News

Microrim, Redmond, Wash., hired Livingston & Co., Seattle, to handle its $1.5 million computer-peripherals account, formerly at DMB&B, San Francisco, following a review.

Key Tronic, Spokane, Wash., selected Tycer Fultz Bellack/-Davis, Seattle, to handle its $1 million account previously at Elgee Co. Dahlin Smith White, Salt Lake City, also competed for the business.#

WE'RE OLD ENOUGH TO CHANGE OUR NAME.

On March 1, DUN'S BUSINESS MONTH gets a new name, a bright new outlook and a solid link with INC. Magazine, our new owner.

For advertisers, our continued dedication to serving top management of America's largest corporations is the perfect complement to INC. Magazine's unique concentration on top management at small and mid-sized entrepreneurial enterprises.

Look for us on March 1!

Formerly DUN'S BUSINESS MONTH

ADWATCH

Print pays for Big Mac

Heavy ad spending scores with consumers

By SCOTT HUME

Even when you're spending $300 million annually on TV advertising, it's amazing what impact $12 million worth of print advertising can have.

McDonald's Corp. last month launched its first major print effort in many years with a series of ads addressing such subjects as ingredients used in its menu items and how those foods fit with a well-balanced diet. Those ads, created by Leo Burnett USA, Chicago, are running in a wide variety of vehicles, from Sunday supplements to major-market dailies and consumer magazines such as *Better Homes & Gardens*, *People* and *Time*, to professional journals such as the *New England Journal of Medicine* (AA, Jan. 19).

Barely a month into what is projected to be a yearlong campaign, McDonald's advertising awareness rating already is significantly fatter.

When the 1,000 respondents to Advertising Age's January adWatch survey of advertising awareness were asked to name the first fast-food advertiser that came to mind, 49.6% named McDonald's. That boosted Big Mac's traditionally high awareness level 4.2 percentage points, giving it its highest share of top-of-mind awareness since it captured 50.3% of responses in the August 1984 survey.

Left even farther behind by McDonald's surge were second-place Burger King, with 13.5% of first mentions last month, and Wendy's, whose ads came to mind first for only 5.7% of the sample. With McDonald's preparing to capture consumers' attention even more with its Monopoly-themed scratch-card promotion (AA, Feb. 9), BK and Wendy's are under increased pressure to present compelling advertising messages.

AdWatch is a joint project of Advertising Age and SRI Research Center, Lincoln, Neb.

Ad awareness is measured by asking a nationally projectable sample of consumers to name the advertising that first comes to mind of all seen, heard or read in the last 30 days. Consumers are queried on the first ad they remember overall as well as in a variety of product areas. During January, 1,000 consumers were polled by telephone.

Those changes in advertising awareness that are deemed statistically significant by adWatch researchers can be attributed to more than sample variation.

It should be noted that the January sample was contacted *before* last month's Super Bowl telecast, during which several new advertising campaigns were launched.

What consumers did *not* respond to in January, as they faced a holiday's worth of bills, was advertising for credit cards.

Awareness of Visa's advertising —which pointedly profiles various companies that do not accept rival American Express' card—was down 4.4 percentage points to 25.2% of first mentions in the credit-card category. Visa remained the category leader, how-

(Continued on Page 93)

"Thousands of affluent Washingtonians read one newspaper every day. And it isn't The Washington Post."

–Arnaud de Borchgrave, Editor-in-Chief, The Washington Times

"I've got news for you—the days of Washington as a one-paper town are over.

The Washington Times is here to stay.

Every weekday, The Times reaches more than 200,000 of Washington's affluent readers. That's a big chunk of the market. Especially when you consider that more than half of our readers don't read The Washington Post on any given day.

Now, I'm not suggesting that you take The Post out of your buy. That wouldn't make sense. But if you want to reach more of the right people in Washington, you need more than The Post.

You need The Washington Times.

Call our Advertising Director, O. T. Watkins, at 1-800-233-5513 today. And get with The Times in Washington."

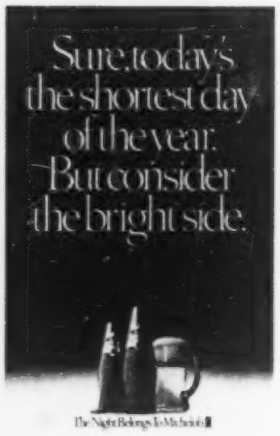
The Washington Times

We hit what The Post misses.

CORRECTIONS & CLARIFICATIONS

- The owner of Reliance Capital Group, New York, is Saul Steinberg. An article appearing in the "Marketing to Hispanics" Special Report misidentified him (AA, Feb. 9, P. S-8).
- The 1986-85 ad linage totals for *Crain's New York Business* were reversed (AA, Jan. 19). The correct totals: 422.5 pages for 1986; 265.6 for 1985.
- In the Ad Age Quarterly Best, the agency that prepared the outdoor board for Kamchatka vodka should have been identified as Evans/Weinberg Inc., Los Angeles (AA, Jan. 19, P. 48).
- In the Newspapers Special Report (AA, Jan. 26, P. S-20), cable's fifth-largest U.S. multiple system operator should nave been identified as Cox Enterprises. That name was adopted following the 1986 merger of Cox Communications and Cox Enterprises.
- In Global Gallery (AA, Feb. 9, P. 46), the caption for a South African Avis print ad erroneously stated that Avis was owned by Beatrice Cos. The present owner is Wesray Capital Corp., New York. Beatrice Cos. no longer has any South African holdings.#

BEST OF PRESS

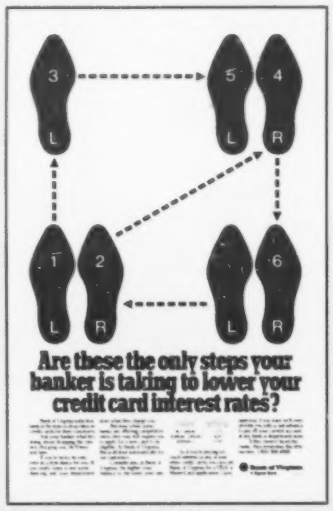


A clever combination of headline and art make this ad for Anheuser-Busch's Michelob an attention-grabber. DDB Needham Worldwide in Chicago is the agency. Creative director, Susan Gillette; copywriter, Peter McHugh; art director, Gary Alfredson.

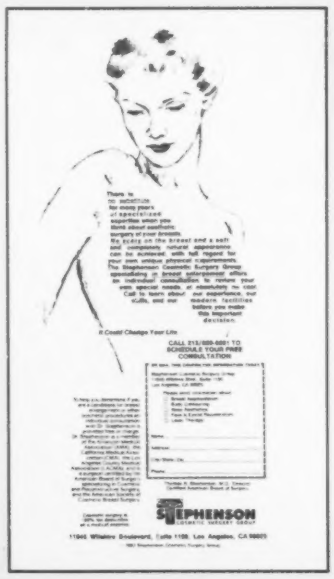
Volkswagen of America had a problem. Its Audi was the subject of a massive recall suggested by the federal government. It used this ad, via DDB Needham Worldwide in Detroit, to put the recall in the best possible light. Creative director and copywriter, Bill Klimas; art director, Joe Gallo.

This print ad for the Beef Industry Council, via Ketchum Communications/San Francisco, uses a good combination of illustration and color to whet readers' appetite for beef. Creative director, Millie Olson; copywriter, Lynda Pearson; art director, John Donaghue; illustrator, Mike Bull; photographer, Diane Padys.

A great illustration coupled with a good headline makes this ad for Zell Bros in Portland, Ore., via Borders, Perrin & Norrander, also in Portland, especially effective. Creative director, Bill Borders; copywriter, Greg Eiden; art director, Terry Schneider; photographer, C.B. Harding.



We think this is a schematic for the foxtrot, but we're not sure. We *do* know that it is an excellent way to drive home the point in this advertisement for the Bank of Virginia, via the Martin Agency, Richmond. Art director, Wayne Gibson; copywriter, Danile Russ; illustrator, Kent Lovelace.


There is no substitute for many years of specialized expertise when you think about aesthetic surgery of your breasts.
A Could Change Your Life
CALL 213/000-0001 TO SCHEDULE YOUR FREE CONSULTATION
STEPHENSON
AESTHETIC SURGERY GROUP

This ad for Stephenson Cosmetic Surgery Group in Los Angeles from John Whipple Enterprises, also in Los Angeles, marks an excellent example of the creative use of type to draw attention to an ad. Note the absence of a headline. Creative director, John Whipple; copywriters, John Whipple, Bob House; art director, Bob House.

FLASH REPORT: Newspaper advertising investment for November

November 1986		DOLLARS		CHANGE	
CATEGORIES	YEAR	1986	1985	ACTUAL $ G OR L	% G OR L
Amusements	1986	$33,641,769	$29,058,397	+4,583,372	+15.8
	1985				
Computer stores & supplies	1986	6,786,606	6,577,850	+208,756	+3.2
	1985				
Department stores	1986	136,374,639	113,753,252	+22,621,387	+19.9
	1985				
Food stores	1986	33,988,966	26,833,622	+7,155,344	+26.7
	1985				
Radio, tv, phonographs, records	1986	29,393,464	27,054,390	+2,339,074	+8.6
	1985				
General merchandise stores	1986	76,454,656	55,706,420	+20,748,236	+37.2
	1985				
Alcoholic beverages	1986	3,352,376	4,180,697	-828,321	-19.8
	1985				
Cameras, photo supplies & services	1986	899,919	775,603	+124,316	+16.0
	1985				
Computers, equipment & services	1986	2,736,726	5,557,959	-2,821,233	-50.8
	1985				
Public service utilities & communications	1986	7,250,261	8,284,700	-1,034,439	-12.5
	1985				
Publishing & media	1986	16,864,671	18,796,858	-1,932,187	-10.3
	1985				
Cigarettes	1986	3,465,207	9,041,319	-5,576,112	-61.7
	1985				
Airlines	1986	14,978,091	14,276,258	+701,833	+4.9
	1985				
Passenger cars-new	1986	20,637,314	18,337,824	+2,299,490	+12.5
	1985				
Banks & trust companies	1986	9,024,720	7,785,842	+1,238,878	+15.9
	1985				
Stock, bond & investment houses	1986	2,272,261	2,308,729	-36,468	-1.6
	1985				

This Flash Report of newspaper advertiser investments, compiled for Advertising Age by Media Records, is derived from tabulations that cover 29 dailies and 23 Sunday editions in 15 cities: Atlanta, Baltimore, Boston, Cincinnati, Chicago, Cleveland, Dallas, Denver, Detroit, Los Angeles, New York, Philadelphia, San Francisco, Washington and Youngstown.#

Source: Media Records Inc.

Nov. ad spending jumps 14%

New York—Advertiser spending in daily newspapers in 15 major markets rose 14.3% last November compared with the same month in 1985, according to the Advertising Age Flash Report prepared by Media Records Inc. here.

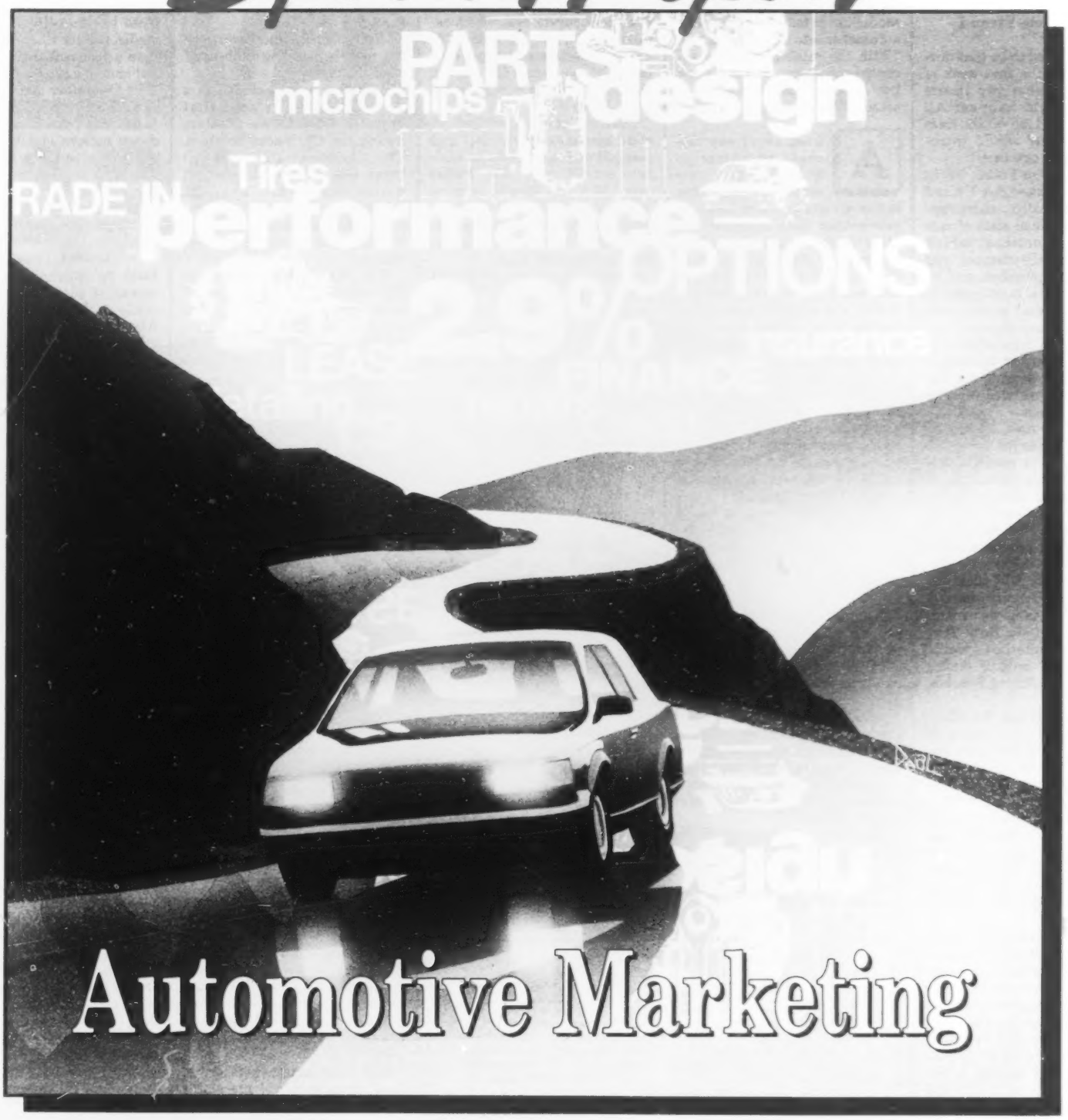
November spending in the 16 Flash Report categories was $398.1 million, up from $348.2 million in November 1985. Department stores lead all gainers with a 19.9% rise, to $136.4 million. General-merchandise stores followed closely with a 37.2% gain, to $76.4 million, and food stores posted a 26.7% increase, to $34 million.

Among other gainers were amusements, up 15.8% to $33.6 million; computer stores and supplies, up 3.2% to $6.8 million; radio-TV-phonograph-records retailers, up 8.6% to $29.4 million; cameras, photo supplies and services retailers, up 16% to $899,919; airlines, up 4.9% to $15 million; new cars, up 12.5% to $20.6 million, and banks and trust companies, up 15.9% to $9 million.

Among the losing categories: Alcoholic beverages were off 19.8% to $3.3 million; computers, equipment and services, down 50.8% to $2.7 million; public-service utilities and commissions, off 12.5% to $7.2 million; publishing and media down 10.3% to $16.9 million; cigarettes down 61.7% to $3.5 million, and stock, bond and investment houses off 1.6% to $2.2 million. The Flash Report is based on SAU inch measurements in 27 daily and 23 Sunday newspapers in 15 top markets.#

Best of Press selections are made by a committee of three: Hank Simons, VP-creative director of the Newspaper Advertising Bureau; James Dunaway, VP-information at the bureau, and William F. Gloede, Advertising Age's newspaper industry reporter. National System Inc., St. Louis, provides tear sheets to the Newspaper Advertising Bureau for much of this work. Agencies, clients and newspapers are invited to submit ads for review. Submissions should be sent to Mr. Gloede in AA's New York bureau.

Special Report



Jim Deal

Industry gears up to meet consumer demands

By Kevin Brown

Keeping the customer satisfied with quality products and services is the challenge changing the face of the automotive industry.

"The consumer today is much wiser," says Gad Hitchcock, VP-general manager of Los Angeles-based Hitchcock Automotive Resources, which owns five dealerships representing 10 franchises. "He's demanding more in product quality and service work."

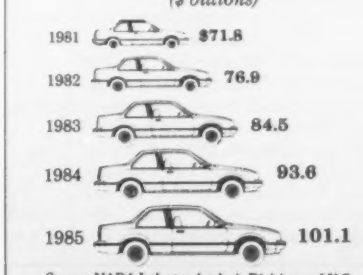
Consumer demands—many of which are reflected in consumer satisfaction indexes provided by companies such as Westlake Village, Calif.-based J.D. Power & Associates—lead dealers to increase personnel training and store hours, Mr. Hitchcock says. Manufacturers are pushing quality in advertising, and sales personnel are being trained to discuss quality with potential customers, he adds.

Perhaps the most dramatic change in the $104 billion parts and service market is occurring in specialty repair shops. Where there were once 226,000 service stations, there are now 115,000, of which about 90,000 can handle significant repairs, beyond oil changes and lube jobs. The decrease left a gap that specialty repair companies were eager to fill. Exhaust specialists, for example, put major emphasis on other under-the-car repairs, such as brake work.

Similarly, parts outlets are adding service bays and promoting consumer education programs to build store patronage. Contrary to some opinions, the do-it-yourselfer is alive and kicking. Some 507,300 outlets carry automotive products; all of them are competing for the more than $28 million spent by 84.5 million people, or 72% of American car owners who engage in some form of do-it-yourselfing.

Meanwhile, as manufacturers become less willing to offer low interest rates and new tax laws abolish car loan interest deductions, consumers will be looking for creative financing, and demanding better quality and service.

Service and parts market growth
($ billions)



Source: NADA Industry Analysis Division and U.S. Bureau of Census

New model introductions spring up year-round

By Patricia Strnad

It used to be that during the first week of October two things would happen: All the leaves would fall off the trees and automakers would introduce a flurry of new cars."

That's how Jim Fuller, VP in charge of Volkswagen United States, Troy, Mich., characterizes the traditional start of new model introductions, which begins in mid-September and runs through November. And although autumn continues to mark the official model-year changeover, automakers are turning more frequently to spring and summer to launch new vehicles, reserving the fall for modified or restyled versions of existing models.

"Automakers now are setting introduction dates for new products when they're ready, rather than trying to force them toward some contrived date of traditional announcement," says Thomas Staudt, Warren, Mich.-based Chevrolet general marketing manager.

He hastens to add that this isn't an altogether new concept: The Ford Mustang was introduced in April 1965. Back then, automakers sometimes would launch "minor" models during what was called Spring Specials, he says.

However, midyear introductions—especially those of benchmark vehicles (cars the marketers consider vital to their marketing efforts), such as Corsica and Beretta and AMC's Medallion—were the exception rather than the norm. Now automakers feel a need to get new products in the market more quickly to meet changing consumer demands, Mr. Staudt says.

Chevrolet chose to bring out its Corsica and Beretta compact cars in March because slow production prevented the company from providing dealers with enough cars, and dealers won't push low-inventory vehicles. Chevrolet projects first-year sales of the new models, which have base prices of $8,995 and $9,555, respectively, at 500,000 units.

Years ago, the new model year coincided with the calendar year, Mr. Staudt says. But snow and cold weather resulted in lukewarm new car launches, and automakers moved the model year back to the fall.

"People don't want to buy new cars in the winter," says Bill Heugh, business manager of market and product planning for Pontiac. "Why expose a new car to a winter when you can wait two months and buy in the spring?"

In recent years, March has begun what is considered the biggest selling period of the year.

But, overall, the market "is becoming less and less seasonal," says Martin Levine, general manager-marketing, American Motors Corp., Southfield, Mich. AMC is banking on the Renault Medallion to help turn the ailing automaker into a profitable one. "With the establishment of incentive programs, I don't know how anyone could do a study of seasonality," he says.

Automakers say another advantage to bringing out new models in the spring is the ability to meet head-on new entries from Japanese and other import companies, which continue to abide by the calendar year for the most part. It also helps automakers avoid the clutter and alleviate some of the competitive pressures of the typical new model-announcement period.

AMC's Mr. Levine says launching Medallion as a 1988 model in the spring presents a marketing advantage. Pontiac, which is introducing its subcompact LeMans as a 1988 model, is following the same course, according to Mr. Heugh.

"People don't want to buy a brand-new car that's going to be a year old in five months," Mr. Heugh says. "By the time we bring out the '89 models, the LeMans will have been out for 18 months, but it will be considered a 1-year-old car. That improves the resale value."

In addition, a manufacturer can keep plants running straight through the year without having to shut down production for model changeovers, Mr. Staudt says. And it "gives the selling organization a shot in the arm with something new that generates additional floor traffic," Mr. Staudt says.

But there are some drawbacks to midyear introductions: It is much harder to train dealers and to continually create new product information, and it is disruptive to operations, Mr. Staudt says. On the consumer side, there's more natural consumer interest in products in the fall, Mr. Heugh says, making it more difficult to snag first-time buyers in the spring because they are trained to come into the market in September.

VW's Mr. Fuller says there are also advertising-media implications that make it more difficult to launch a car in midyear. VW is planning to introduce its entry-level (a car aimed at a first-time buyer) Fox, which retails for $5,690, on March 20 with a first-year ad budget estimated at more than $20 million, via DDB Needham Worldwide, Troy, Mich.

"Before, you introduced all your new cars in the fall and planned all your marketing budgets accordingly," Mr. Fuller says. "Now you have to be more opportunistic. You sell what you have and reserve marketing resources to those products you have to introduce later."

Another disadvantage is that auto companies don't have as much time to promote and capitalize on a new vehicle's marketing plusses, and virtually all automakers agree that getting off to a good start with a new vehicle is essential.

"It's slightly less important than winning the Super Bowl or acquiring all the assets of Fort Knox," Mr. Fuller quips. "Seriously, sometimes if you have a bad introduction, you can recover a little bit. But you just miss that window and it's so difficult to come back. It really is the crown jewels to launch [a car] successfully."

A product's image is very significantly cast in the early stages, Mr. Staudt adds. To help a new vehicle start with a bang, many companies resort to teaser ad campaigns or special marketing promotions. For example, Chevrolet made 10,000 Corsicas and Berettas available to car rental agencies to expose the product and to arouse public curiosity.

"Every Corsica and Beretta on the road is a rolling billboard," Mr. Staudt says.

Both cars were included in a 2½-minute teaser spot that broke in 4,500 movie theaters during the Christmas holidays. The Chevrolet Division will break new ads for the models under the award-winning "Heartbeat of America" ad campaign, via Campbell-Ewald Co., Warren, this month or early in March.

But Mr. Fuller criticizes Chevrolet's marketing ploy. "I recognize why they did that, but they have a very angry dealer organization as a result. It's expensive for GM to do that in terms of actual costs and dealer attitude."

Dealers would like to be selling these models to consumers, Mr. Fuller says.

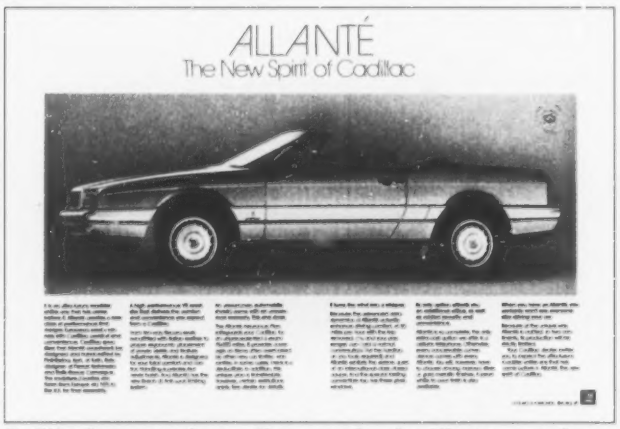
VW says it doesn't believe in pre-launch teaser ads. For the Fox introduction, VW is relying on product exposure at auto shows and on good pr.

"People are always looking for third party endorsements," Mr. Fuller says. "Advertising a car is all well and good, but consumers psychologically discount advertising as mere puffery. But good press is worth its weight in gold."

But other automakers are in favor of more direct marketing tactics. AMC broke two direct mail programs this month to precede its launch of the Medallion. One, aimed at owners of Renault products, offered a trade-in inducement. The other targeted compact-car owners and told consumers that the Medallion is a 1988 model that will be priced lower than comparable 1987 models.

AMC also set up a toll-free 800 telephone line in the fall of 1986 and invited consumers to call for information about Medallion. The company received more than 1,000 responses and forwarded the names to local dealers. Saatchi & Saatchi Compton Worldwide, Southfield, handles.

Cadillac Division began rolling out the Allante, its ultraluxury, two-seat, sports convertible that retails for $54,700, on a market-by-market basis Feb. 7. Cadillac's buildup for the Allante has included a staging of media events that began more than a year before the car's official launch date, March 30.



Cadillac began staging media events for the Allante more than a year before its official launch date, March 30.

In December 1985, the division brought in more than 200 journalists from more than two dozen nations and held a press conference inside a Boeing 747. The press conference focused on the air transport system that would bring Allante bodies, which were designed in Italy, to Detroit.

In late 1986, Cadillac threw a black tie optional dinner at the assembly plant where the Allante is being built. There, Aretha Franklin sang "Freeway," with its line about a "pink Cadillac." The division now is breaking an estimated $20 million ad campaign in spot markets via D'Arcy Masius Benton & Bowles, Bloomfield Hills, Mich., with network TV ads breaking March 30.

Chrysler Motors Corp. hasn't touted its new front-wheel-drive Dodge Daytona, nor the Chrysler LeBaron coupe and convertible models prior to their February introductions. But the company broke an eight-page insert last October showcasing new-for-1987 vehicles that included these models. Bozell, Jacobs, Kenyon & Eckhardt, Birmingham, Mich., handles Chrysler and Plymouth advertising; BBDO Worldwide, Southfield, handles Dodge.

Ford Division has been silent about marketing plans for its imported 1988 Festiva minicar. But Ford and Lincoln-Mercury Divisions of Ford Motor Co., Dearborn, Mich., used teaser ads with their biggest-ever product launches during Christmas of 1985.

Production problems delayed the Taurus-Sable launch to Dec. 26. Ford and Mercury broke teaser ads in early December with a massive blitz between Christmas Day and New Year's Eve.

Dealer groups found that between-holiday TV campaigns avoided pre-yule clutter at a time when TV viewership is very high. Young & Rubicam, Detroit, handles L-M Division; J. Walter Thompson USA, Detroit, handles Ford.

Perhaps the following activity illustrates how the spring and early summer have replaced the fall as the new model introduction window. In the upcoming months, automakers will launch a host of new products, some of which include: Chevrolet's 1988 Corsica and Beretta compact cars on March 12 and a pickup truck April 23; Pontiac's subcompact LeMans, May or June; Ford division's minicar 1988 Festiva, this spring; Lincoln-Mercury's Tracer subcompact from Mexico in mid-May; Chrysler Motors Corp.'s LeBaron coupe/convertible models this spring; American Motors Corp.'s Renault Medallion compact car, March 1; and Volkswagen's subcompact 1987 Fox, March 20.

American Motors told compact-car owners that the Medallion would be priced $1,000 less than comparable models.

Have cheap incentive rates worked too well?

By Michelle Krebs

In late August 1986, General Motors executives found themselves faced with a major dilemma. The new model year was only a month away and a million leftover 1986 models still populated dealer lots across the country.

A solution was obvious: A low-interest rate financing program. Financing incentives had ensured success in moving cars since the recession and had moved a million cars only a year earlier when the Big Three offered 7.5% and 7.7% financing while banks offered car loans at 10% to 11%.

The 7.7% and 7.5% programs had come in response to a nationwide strike by car haulers, which left 1985 models piled up in dealerships just before the 1986 new-model introduction.

Michelle Krebs is financial editor of Automotive News, *a Crain Communications Inc. publication.*

The incentives, the lowest ever to that point, caused sales to soar, cleaned out inventory and won back the three percentage points of market share that GM had lost during the first 11 months of the 1985 model year.

Domestic cars sales for September 1985 set new records with 839,382, a 59% increase over September 1984. GM sold 462,879 vehicles, up 52% from 1984; Ford sold 229,403 cars, up 46%; and Chrysler sold 108,906 cars, up 46%.

It worked so well that automakers used the same gimmick throughout the rest of 1985 and early 1986. GM instituted a 7.9% program to open calendar 1986 when its inventory again reached the 1 million mark. Ford and Chrysler were forced, as always, to follow GM's lead.

Reluctance to offer a similar financing program in the fall of 1986 existed, however. GM Chairman Roger B. Smith acknowledged the 7.7% and 7.5% programs of the previous fall had stolen sales from 1985, though he didn't know just how many. But he further acknowledged that GM had to do something because nearly a half-million cars had been dumped onto dealerships during the slowest sales month of the year. "We just had to do it," he said.

Domestic automakers' inventories plunged to a 14-year low following the 2.9% and 2.5% programs.

Auto industry observers warned that consumers had become accustomed to incentives, and it would become impossible to wean them away. The roller coaster pattern of vehicle buying during the year and consumer studies proved that, throughout late 1985 and into 1986, buyers had postponed purchases until the next round of incentives started. The automakers estimated that 60% to 65% of the cars sold during the year were being sold on the cut-rate financing programs.

Further, incentives had taken their toll on GM profits. GM blamed the August-September 7.7% program, in part, for a third-quarter operating loss. Ford and Chrysler also said the incentives cost them.

Nevertheless, GM executives decided to charge ahead in September 1986. Slumping market share may have been the deciding factor. Despite GM's on-again, off-again offerings of low-interest financing, the automaker's market share had slid again by three percentage points.

Once incentives won the go-ahead, the question then became how low to go. The 7.9%, 7.7% and even 5.9% used throughout the year had been effective, but surely weren't low enough to clear out a million vehicles in a month this time.

No, they decided, the new rate had to be more aggressive. GM's Mr. Smith later acknowledged that 3.9% may have been enough, but the automaker wanted to be sure, so it settled on 2.9%.

The blitz for what GM dubbed "The Big One" was on. The morning after GM's announcement, Chrysler announced a 2.4% program. Ford reluctantly offered a similar program, even though its inventories were slim. American Motors Corp. followed with 0% financing.

"The Big One" and its imitators worked—maybe too well, as Mr. Smith later confessed. American consumers were hooked—like addicts, dealers reported.

Nevertheless, the programs worked. The domestic automakers' inventories plunged to a 14-year low following the 2.9% and 2.5% programs. GM sold more than a half-million cars in September, Chrysler's unit sales climbed 29% to 140,451. Only Ford's sales dropped 4% to 216,609.

James G. Vorhes, then GM VP in charge of the Customer Sales and Service Staff, called the results "electrifying," triggering overflow crowds in GM showrooms. Dealers at GM and other domestic makes reported twice the normal sales.

The automakers won't reveal exactly how much incentives cost them or how much they spend to market incentive programs, the costs of which are shared with its dealers. Depending on the interest rate offered, auto analysts estimate the programs cost an automaker a minimum of $500 a car. Nevertheless, as Chrysler Chairman Lee Iacocca said following the 2.9% and 2.5% frenzy, it is impossible to estimate how much sales volume was gained that the car companies would not have enjoyed otherwise.

Today, industry executives face another dilemma: How do they get consumers off the low-interest loan drug.

At the September 1986 start of the 1987 model year, GM's Mr. Smith and President F. James McDonald vowed publicly and repeatedly that consumers would no longer see the likes of the 2.9% program. They promised they would cut production of vehicles to keep inventories in check rather than offer incentives.

Consumers don't believe it; nor do many of GM's own dealers, even though GM has made massive cuts in production of slow-selling cars.

Consumers apparently didn't believe domestic automakers would end incentives, even though GM had made massive cuts in production of slow-selling cars. January car sales, void of incentives for most of the month, fell 33% below the year-earlier sales which had the benefit of incentives. It was the worst year-to-year drop since May 1980, and may have beaten the May 1980 slump had the automakers not come through with some incentives near the end of the month.

Industry observers expect GM will continue to cut production, but the automaker will certainly be forced to offer incentives to achieve its 42% of market, another promise GM officials have made, even though GM's market share in January was 37%.

However, incentives aren't likely to be the 2.9% variety of last fall.

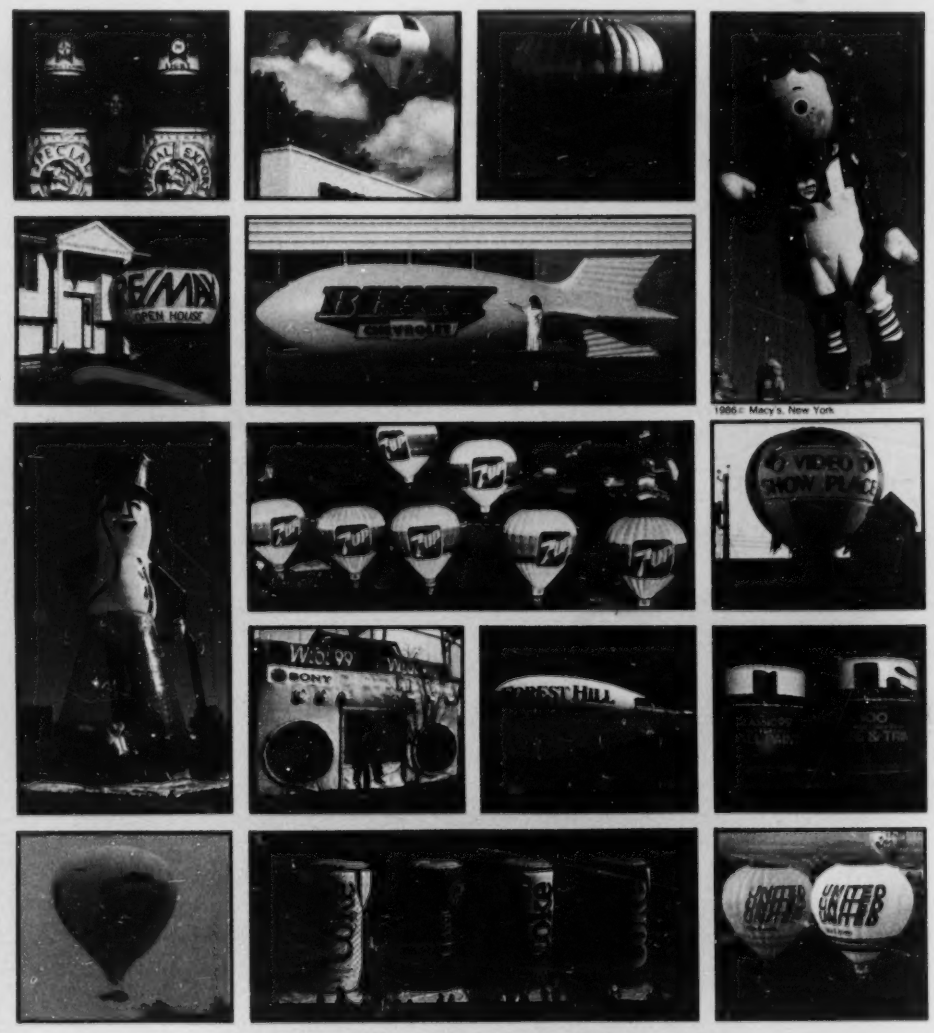
Lloyd Reuss, GM exec VP in charge of North American Passenger Car Groups, says nothing like last summer's 2.9% financing program is in the cards. "We'll do some aggressive marketing and merchandising," he said in January.

Yearend 1986 offered a glimpse of the kind of incentives GM is likely to offer during 1987.

In December, GM included free air conditioning on a number of cars and attractive lease rates on selected models. Buick gave away a free trip to buyers of GM's slowest seller, the Riviera. Many incentives will focus on specific models.

The kinds of incentives to be offered will be left up to the individual GM divisions to decide with the corporate stamp of approval. The divisions may decide to focus on a particularly strong model in its lineup in hopes of spreading a halo effect to other models in the line; or a division may decide to offer an incentive to boost a slow-selling model.

GM divisions had been asked in December to decide what would work best to meet their objectives. The options suggested included price roll-backs on selected models, dealer cash-incentive programs and special equipment packages like the free air-conditioning offer.



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Dealer and association ads pull their weight

By Van Wallach

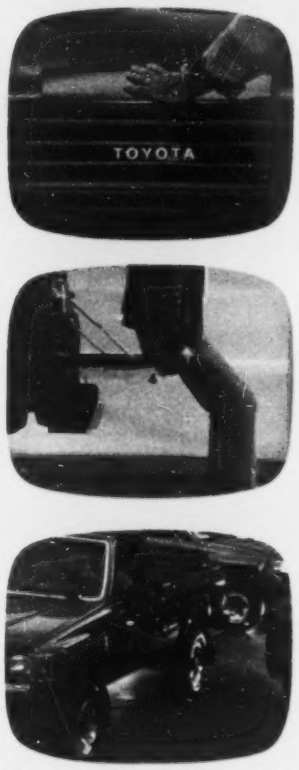
Manufacturers dish up the glitz in auto advertising. You know, the "Heartbeat of America," "Quality is Job One," "Oh, What a Feeling"—the image executions. But the nitty-gritty task of pulling consumers into showrooms via promotions and service falls to the dealers and their associations.

Dealers and associations can react quickly to market conditions and gear campaigns to local interests because they are on the scene.

"You attempt to keep your thumb on the pulse of the marketplace," says Harvey Kauffman, senior VP-management supervisor at Davis, Johnson, Mogul & Colombatto, Los Angeles, for 10 years the agency for the Southern California Toyota Dealers Advertising Association. "We can pump out a commercial in a week if we have to."

Each part of the manufacturer-association-dealer triangle has a function. "Factory" advertising supports the products and announces big themes, such as a financing program. Associations tout events, while dealers typically discuss prices and payments, according to Fritz Hitchcock, president of Hitchcock Automotive Resources, Los Angeles, owner of five dealerships, which represent 10 franchises.

Van Wallach is a Long Island City, N.Y.-based free-lance writer and frequent contributor to Special Report.



The 78-member Southern California Toyota Dealers spent $1.6 million on TV in December and sold 16,000 vehicles.

Mr. Hitchcock figures the average dealer puts 70% of his budget into newspapers. Associations, on the other hand, stress TV. The associations typically pay for their spots by assessing their members a fee on a vehicle ordered from the factory.

Not all individual dealers can afford that exposure, nor can all the associations afford to hire local agencies. Smaller groups often use manufacturers' ads with a tag line at the end. Mr. Hitchcock had been president of a Suzuki group with a $1.3 million budget. Spots came from Suzuki's national agency, Keye/Donna/Pearlstein, Los Angeles. Associations that work well with their own agency rather than the manufacturers' agency do better in sales and market penetration, he says.

The number and scope of associations have expanded rapidly in the past five years, says Christopher Cedergren, senior analyst at J.D. Power & Associates, Westlake Village, Calif., an auto research company. He puts the total number of associations at about 1,000. Associations for Japanese autos have especially become more active in reaction to the yen's strength against the dollar. With the yen up 18%, they now must solicit sales rather than wait for orders to roll in.

Over the past decade, agencies working with associations have gone through the whole roller-coaster ride of the American auto industry. Currently, these are fat times, with fees of up to $150 per car boosting association war chests. Hill, Holliday, Connors, Cosmopulos, Boston, won the New England Ford Dealers Association account 7 years ago, during the second energy crisis. The budget then was $3 million, predominantly placed in radio. In 1987 it will top $11 million, mostly in TV.

Association advertising often ties in to national sales events. Close communication between factory and association is needed to avoid embarrassing miscues. "God forbid you have a meeting without the factory rep there and plan a push for March and the ships with the cars don't come until April," Mr. Hitchcock says.

Sometimes dealers promote their own programs. For example, in January the Buick Value Team, a group representing 42

(Continued on Page S-10)

Agency convinces dealer to change 'hideous' spots

Friends don't let friends do bad advertising. At least, that's the situation between David Brown, president of Gate City Motor Co., and Mike Cecil, president of the agency Cecil Tury Cecil, both of Greensboro, N.C.

In fall 1985, Mr. Cecil decided he could no longer stomach Gate City's TV-station produced advertising with simple shots of cars and superimposed prices. "It was so hideous I called and said I was embarrassed for him. He's not a screamer and yeller. He agreed his advertising was horrible and wanted to go toward service and image."

Along with Karen Tury Cecil, VP, Mr. Cecil proposed creating "the sparkplug lady," a character who would talk directly to TV viewers about service, sometimes even spoofing the hard sell of a local competitor. "Dealer ads all do the same thing," Mr. Cecil says. "The average person is not an idiot. Viewers can perceive quality. Most dealers still yell on TV. We have a spot on that: 'Do you ever wonder why they scream at you?' "

Since Mr. Cecil's proposal, Atlanta actress Randi Martin has done more than 20 spots now for Gate City, a dealer for Chrysler-Plymouth, Lincoln/Mercury, Subaru and Peugeot. She appears as an upscale, somewhat sarcastic woman.

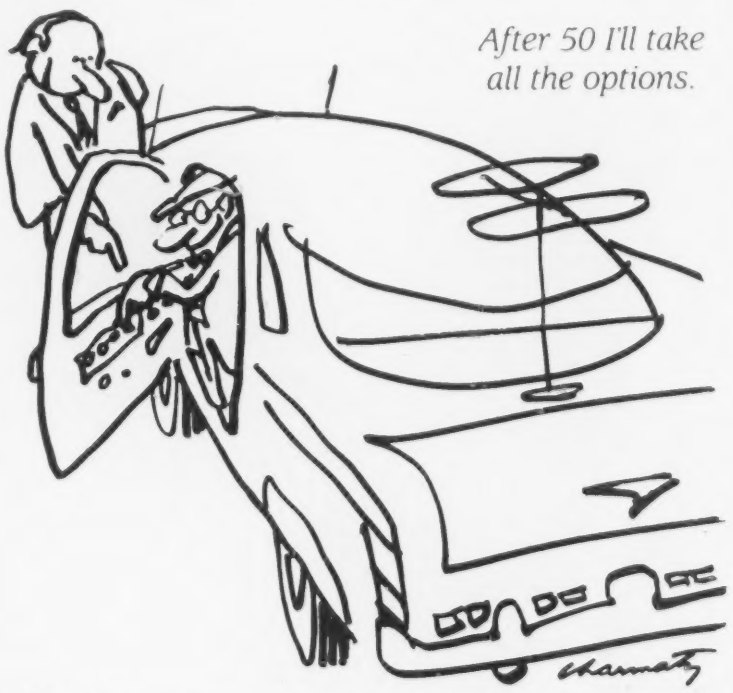
Mr. Cecil redirected the media from a "shotgun" buy of 70 to 80 monthly spots "most at 3 in the morning" to 20 per month on programs with high female viewership. The sparkplug lady became a huge hit. (High production costs prevented Mr. Cecil from creating point-of-sale pieces and cutout posters using Ms. Martin.)

Gate City continued the upscale angle with ads in programs for a local opera company and a symphony company. Because the Greensboro Opera Co. was performing Puccini's "Madame Butterfly," Mr. Cecil created an ad proclaiming "Bravo" in Japanese, supporting the production of "Madame Butterfly."

Gate City said "Bravo" in Japanese in support of the local opera's "Madame Butterfly."

Evidently, the strategy touched a nerve. After one spot won a Television Bureau of Advertising award, Mr. Cecil received 50 phone calls from agencies and dealers eager to borrow the concept.

—*Van Wallach*



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Finance companies downshift around tax laws

By Michelle Krebs

The captive finance companies of the domestic automakers are likely to shift their marketing emphasis to forms of automotive financing other than low-interest rate loans and conventional loans this year as a result of a change in tax laws.

Under the tax reform act, some alternate forms of automotive financing, including leasing and home equity loans, are more attractive than they were before.

The new tax law phases out during the next four years the consumer's ability to deduct interest on consumer loans, including conventional car loans, but retains it on mortgages and home equity loans.

William Odom, exec VP of Ford Motor Credit Co., Ford's finance subsidiary, says a segment of the population that wants to own the vehicle will continue to opt for conventional loans. However, one barrier—the barrier of tax benefit—has been cleared to make leasing easier to sell, he says.

Individual leasing has grown steadily in recent years, but the ownership issue and the inability to write off interest on the lease have been major obstacles to higher growth. Mr. Odom predicts leasing under tax reform will surpass the pre-incentive high of one out of every four cars acquired on a lease.

"Leasing eventually will become an every day way of life," says Mr. Odom. He didn't estimate what percentage he thought it ultimately would be.

Lease rates will increase somewhat because of some tax benefits taken away from leasing companies. However, leasing experts say the monthly payment still will be as much as 10% to 20% lower than a monthly payment on a conventional car loan, and the buyer makes little or no down payment.

Leasing companies intend to capitalize on the tax law changes to market their lease programs.

Mr. Odom says Ford Credit intends to espouse the virtues of the lower monthly payment and small down payment to promote its Red Carpet lease more than the tax angle. Ford Credit will emphasize that the lower payment of a lease allows a car buyer to buy more of a car.

Ford Credit also may offer attractive rates or special leasing packages from time to time in 1987, Mr. Odom says. The finance subsidiary offered a special lease value package called Holiday Bonus from mid-November 1986 through Jan. 31, 1987 which, Mr. Odom says, boosted Ford Credit's lease business by one-third.

Similarly, General Motors Acceptance Corp., GM's finance subsidiary, offered a lease program during the holidays that advertised monthly lease payments of $169 to $199.

Home equity loans also gain an edge under the new tax law. A consumer is allowed to write off the interest on a home equity loan which, in turn, can be used to buy a car. Financial institutions are scrambling to develop and market home equity programs including lines of credit based on home equity.

While home equity loans are more attractive under tax reform, no one predicts a rush of consumers to take second mortgages to buy cars.

Recently retired GMAC Chairman Robert F. Murphy says he doubts many consumers will use a home equity loan to buy a car—an act that is often impulsive. Acquiring a home equity loan requires the same process of paper work, appraisals and closing as a mortgage.

Nevertheless, the automakers' finance companies and other financial institutions in the automotive finance business plan to have home equity loans available in their menu of offerings. Some already have begun to market them heavily.

Mr. Odom doesn't expect a big boom in home equity loans. The kind of people who would have enough equity built up in a home are not the kind of people who are likely to use that equity to buy a car, Mr. Odom says.

In addition, there is the difficulty of tying the financing to the point of sale at the dealership, which is complicated in some states where the customer is allowed a three-day cooling off period to rescind a decision to refinance the home.

Chrysler Credit, however, thinks it may have that challenge licked. The finance company will pilot a program whereby a consumer can buy a car and obtain a conventional car loan at the dealership. The loan then can be converted to a home equity loan through Chrysler First, Chrysler's consumer finance operation. The conversion will not let the impulsive car buyer leave the showroom because the financing is not arranged.

Dealer-association ads

(Continued from Page S-8)

Buick dealers in Philadelphia, southern New Jersey and Delaware, began a TV and radio promotion for the Skyhawk. The creative emphasized the price—less than $10,000—and the fact that dealers were providing the $490 automatic transmission at no extra cost.

Creative executions must be careful to not offend any association members. The footage for the Buick spot was shot in the Philadelphia area, says Kathy Gillin, account executive for the association's agency, Competitive Edge, Philadelphia. The agency was careful to make the spot generic enough so dealers outside the metro area were not alienated.

"We can't just promote cars parked in front of the Liberty Bell or the fringe dealers would get rightfully upset," she says. "The residual effect wouldn't benefit them."

Not all association creative is broadcast, however. Print is a valuable method for making sure all dealers get a mention in a message. Mentioning 42 dealers would require 28 seconds of a 30-second spot, Ms. Gillin says. Print sidesteps that obstacle and allows even more details, such as addresses and telephone numbers, to be included.

A Thanksgiving Day double-truck color ad by the Philadelphia/southern N.J. Buick association touted the full Buick line with a spotlight on the Century and LeSabre. Its headline was "Lease for Less," reinforcing a national Buick campaign.

The Buick value team represents 60% of the sales in the Philadelphia zone, including four dealer associations, according to Fred Tower, assistant zone manager for Philadelphia Buick. "This was the second best December in 10 years for the zone," he says.

"The dealers were visible at all times in the media," he says. The zone was one of only two in the Buick organization to enjoy a sales increase in 1986 over 1985. Ad spending was more than $2 million, apart from Buick's contributions, Mr. Tower says.

One new association has had strong results from print only. The Acura Advertising Association of Southern California was formed by a dozen dealers to promote the Acura, an upscale division of American Honda. Acura's two models, the $12,000 Integra and $21,000 Legend, had their debut last year with a national advertising budget of $20 million. Honda dealers who build separate showrooms for the Acura found that campaign, in California at least, sparked little attention.

"The dealers were frustrated with the sales and awareness levels and the amount of money spent on a national basis," says Richard Zien, president of Mendelsohn/Zien Advertising, Los Angeles. The dealers thought $60 million was needed to introduce an Acura that would compete against other introductions like Hyundai, he says.

The association's first effort, produced with help from the *Los Angeles Times*, had a "retail" look. Later, the association hired Mendelsohn/Zien because it had automotive expertise.

Mr. Zien says bluntly that a price campaign for a product with low awareness and image—"consumers couldn't even pronounce the name"—would never work. His strategy was to position Acura's Legend, priced at $21,000 and up, against more expensive vehicles for upscale consumers.

The first Mendelsohn/Zien ad last August in newspapers and local magazines addressed the issue head-on, asking: "Who on earth would trade in a BMW or a Mercedes for a car that's virtually unknown?" Another favorably compared the Legend's residual value after 60 months with that of a $104,000 Rolls-Royce Silver Spirit.

The manufacturer likes the campaign, although it has yet to provide co-op funds. The results of 1986's $2.5 million campaign indicate Mr. Zien has the right idea.

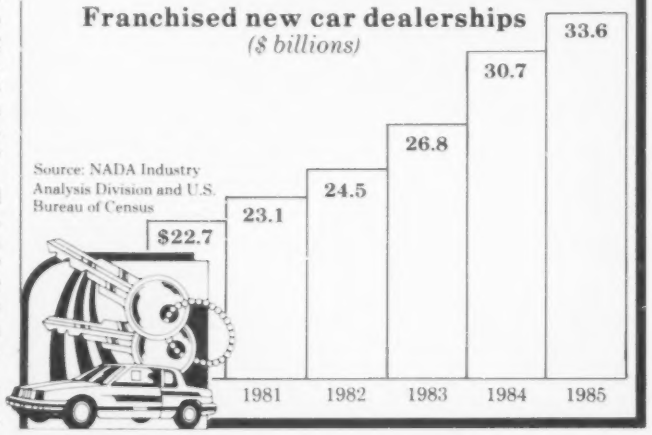
Monthly sales nearly tripled, to almost 1,500, from August to January. Dealers are especially happy because the campaign avoids a let's-make-a-deal price approach and buyers come in prepared for a hefty price tag.

"Instead of looking for deals, buyers come in ready to pay," Mr. Zien says. "It makes the cars easier to sell and at higher prices."

Acura dealers plan to spend $3 million this year, retaining the same attitude and tonality in their print ads. "We wanted our advertising to be quite arrogant because this is a hell of a car for the money," Mr. Zien says. "U.S. companies still do schlock, nonmotivating stuff. If price is the only reason to buy a car, you're in trouble."

Service and parts market growth

Franchised new car dealerships
($ billions)



Source: NADA Industry Analysis Division and U.S. Bureau of Census

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Auto makers stress consumer satisfaction

By Raymond Serafin

Auto marketers once determined how well a division or a dealer was doing by just tallying the number of cars sold.

The arithmetic isn't as simple now that consumers have more than 30 choices of car makes, many of them available in numerous models. Instead of just counting units sold, the industry is turning more to indices that indicate the number of customers satisfied.

The so-called Customer Setisfaction Index (CSI) has had a dramatic effect on nearly everyone in the industry, from product designers to the service desks at dealerships.

Automakers use it to argue in their advertising that one survey or another proves their product superior. New dealer-franchise success may hinge on a CSI standing, and a support industry is springing up to help individual dealers raise their scores.

The CSI reflects the fundamental changes in the industry over the past decade. Instead of a manufacturing-driven business that attempted to sell what it made, it has become a consumer-driven industry that attempts products and services that match the perceived needs of customers.

"Advertising may sell the first car, but service sells the second one," says James Fuller, VP in charge of Volkswagen U.S., the marketing arm of Volkswagen of America, Troy, Mich.

And customer satisfaction, or dissatisfaction, affects more than just the odds that a customer will buy the same brand next time, says Jack Robbins, assistant general sales manager for General Motors Corp.'s Buick Division, Flint, Mich. Buick, which operates several programs aimed at improving customer relations from pre-sale to post-delivery, estimates that a satisfied customer will positively influence eight others and spur at least one more sale, while a soured customer will negatively affect 25 people, he says.

A number of auto marketers survey their own customers, or hire a research company to do so, in order to rank dealer performance.

But the most widely quoted CSI in the industry is the annual survey published since 1981 by J.D. Power & Associates, Westlake Village, Calif. Power surveys 30,000 new-car buyers 12 to 14 months after their purchase to determine their satisfaction with technical aspects of the car and, separately, with dealer performance. The overall CSI averages how each make scores on both technical and dealer aspects.

The most recent Power survey, released in August 1986 and based on 1985 model-year cars, showed that U.S.-based companies lagged behind importers in customer satisfaction. Of the top 10 makes according to this system of grading, five are Japanese and four are European, with only No. 5 Lincoln breaking the pattern. Honda ranked first in the Power CSI, followed by Mercedes-Benz.

J. David Power III, president of the research group, acknowledges that the survey results are controversial. But, he says, "Our client satisfaction index pretty much parallels the CSI."

He is careful to point out that the CSI is not an evaluation of the cars themselves. "We measure the differences between what a customer expects and what he gets," says Mr. Power.

Tom Gauer, senior project director for the Power group, says that U.S. manufacturers have made strides in narrowing the product-quality gap. In 1981-1982, 65% to 70% of customers reported problems with their domestic cars at delivery. That number is down to 40% to 50%, but the Japanese are holding their delivery problems to 20% to 25%, Mr. Gauer says.

In general, Japanese makers score high on the technical side but only average on the dealer portion of the Power CSI, says Mr. Gauer. European makers tend to score high on the dealership scale but low on the technical side.

Auto analyst Thomas O'Grady, president of Automotive Integrated Resources, Wayne, Pa., says that Honda "progressively strives for quality in their vehicle. Honda is not all that innovative in its design—the Accord is a fairly mundane vehicle, but made with extremely high quality."

New product introductions usually drag down a manufacturer's CSI score on the technical side because all the glitches haven't been worked out of production, says Mr. Gauer.

"Mercedes-Benz slipped with the introduction of the 190 series, which represented 35% of its volume. And before the last survey, Subaru had come in second because it hadn't changed product for five years," he says.

A decline to seventh, following its first new product introductions in years, forced Subaru of America, Pennsauken, N.J., to drop an ad line that touted its customer satisfaction, "Of all cars sold in America, Subaru is second only to Mercedes." Levine, Huntley, Schmidt & Beaver, New York, handles.

Subaru hopes to climb back up with the help of a comprehensive new program that will include 18 mailings to owners over a four-year period, including at least six customer-satisfaction related questionnaires.

American Honda Motor Co., Gardena, Calif., touted its first-place finish in the Power index in trade ads, but didn't change its consumer advertising. Rubin, Postaer & Associates, Los Angeles, handles Honda.

Chrysler Corp., Highland Park, Mich., and Ford Motor Co., Dearborn, Mich., conducted an ad campaign quarrel in 1986 when each cited different surveys claiming the best quality of any U.S.-built products. "Best-built, best-backed American cars and trucks," claimed Chrysler ads via Bozell, Jacobs, Kenyon & Eckhardt, Birmingham, Mich. "Best-built American cars and trucks," said the Ford corporate ads by Wells, Rich, Greene and Ford Division ads via J. Walter Thompson USA, both Detroit.

Some automakers say that giving a customer a forum keeps dissatisfaction to a minimum.

"Our goal is to get customers to complain," says Buick's Mr. Robbins. "If we can get them to open up to us, they realize we want to help." Buick operates a 60-employee Customer Assistance Center, in Flint, Mich., that can be reached with a toll-free number and a corresponding Technical Assistance Center that provides toll-free help to dealer technicians.

Toyota Motor Sales, Torrance, Calif., is taking the commitment to customer satisfaction a step further. If a customer cannot resolve a conflict with a dealer, a new program allows complaining customers to go before a third-party arbitrator selected by the American Automobile Association where a resolution will be devised.

The program is currently available in 13 states and will be national by the end of 1987.

Manufacturers also are trying various incentives to improve dealerships' contribution to customer satisfaction. Most manufacturers now use either an independent research group or conduct their own survey to rank their dealerships.

"The big issue for retailers, aside from volume, is to retain a respectable CSI. It controls them," says Jayne Hamilton, president of Market Development Associates, Bloomfield Hills, Mich., a consultancy that works with dealers to improve customer relations.

Chrysler inaugurated a $20 million "America's Team" program last fall to "provide motivation via financial recognition to all service personnel in a dealership for the quality of service they provide to their customers," says E. Thomas Pappert, group VP-sales.

Chrysler also has set a minimum CSI score as one requirement in determining which 365 dealers will get the new $30,000 Maserati-built luxury coupe that will be sold under the Chrysler brand name as a 1988 model.

And the sales agreement with those dealers will for the first time spell out a minimum CSI needed to retain the franchise, says Mr. Pappert.

Similarly, American Motors Corp., Southfield, Mich., will base its decisions this summer on which dealers will get its $30,000 sporty two-seater, the Renault Alpine, partially on CSI scores. The philosophy behind this is that people who pay this much for a car expect excellent service, according to Martin Levine, marketing manager.

AMC has been making a concerted effort to upgrade its dealers' relations with customers after scoring 29th out of 30 makes on the Power ranking of customers' satisfaction with dealers.

(American Isuzu Motors, Whittier, Calif., which satirizes dealers in its "Liar" TV spots via Della Femina, Travisano & Partners, Los Angeles and New York, finished 30th.)

"We were a little late in getting a tool to quantify [customer satisfaction with individual dealers]," says AMC's Mr. Levine. AMC now uses a survey administered by Power.

Half of AMC's dealerships have changed ownership over four years, partly as the result of a concerted effort to weed out dealers that wouldn't spend adequate money on service areas and training. "No dealer gets signed up now without a commitment to specific dealer training requirements," says Bill Carroll, general manager-North American sales.

Doug Mazza, VP-sales and marketing for Suzuki of America Automotive Corp., Brea, Calif., says that the company tries "not to penalize our dealers." Suzuki will have built a 250-dealer network by 1989 to market its subcompact Samurai sport-utility vehicle, a second 4-wheel-drive vehicle and a minicar, all to debut in 1988.

"We review each dealer CSI and make tailored recommendations," says Mr. Mazza. "So far we have a 100% profitable dealer network. We find that the dealer is much more willing to give attention to CSI and good facilities and all those other things in a profitable retail business."

Mr. Power admits to some concern that the indexes lead dealers "to beat the scores rather than satisfy the customer."

That desire to improve scores has spawned a number of CSI consultants who promise to raise a dealer's CSI through a variety of means, from sending gifts—such as flowers or a tin of cookies—to new-car buyers to conducting in-depth interviews with customers to pinpoint problems.

"Anything a dealer does to show he's concerned with the customer helps," says Mr. Gauer of the Power group. He says follow-up is a key to the success of CSI-improvement strategies. "It's not enough to call a customer and ask if he's satisfied with service if you don't have in place a system to deal with complaints."

Mr. Gauer says that the painstaking efforts to improve each dealer's customer relations do pay off. "We've tracked manufacturers who deal with customer satisfaction on a dealer-by-dealer basis, and the overall scores for the manufacturer do go up," he says.

Keeping an eye on who's keeping the customer satisfied

Indexes force dealers and manufacturers to look at quality and service

Make	CSI	Technical	Dealer
Honda	(1) 132	(1) 154	(11) 110
Mercedes-Benz	(2) 129	(13) 95	(1) 162
Toyota	(3) 127	(2) 149	(14) 105
Mazda	(4) 112	(3) 138	(26) 87
Lincoln	(5) 112	(10) 99	(6) 126
BMW	(6) 111	(15) 93	(4) 129
Subaru	(7) 108	(9) 101	(10) 115
Volvo	(8) 105	(16) 92	(7) 119
Saab	(9) 105	(21) 82	(3) 129
Nissan	(10) 104	(7) 106	(18) 102
Mercury	(11) 103	(8) 103	(16) 104
Jaguar	(12) 103	(26) 65	(2) 141
Volkswagen	(13) 102	(12) 95	(12) 109
Cadillac	(14) 100	(24) 72	(5) 128
Ford	(15) 97	(6) 109	(27) 86
Mitsubishi	(16) 97	(5) 110	(28) 83
Porsche	(17) 95	(22) 74	(9) 117
Buick	(18) 95	(19) 85	(15) 105
Plymouth	(19) 94	(14) 93	(22) 95
Oldsmobile	(20) 92	(17) 89	(21) 96
Chevrolet	(21) 91	(20) 84	(20) 98
Audi	(22) 90	(27) 63	(8) 117
Dodge	(23) 88	(18) 88	(25) 88
Chrysler	(24) 87	(25) 71	(17) 103
AMC/Renault	(25) 86	(11) 98	(29) 74
Pontiac	(26) 84	(23) 74	(24) 94
Isuzu	(27) 83	(4) 118	(30) 49
Alfa Romeo	(28) 83	(29) 59	(13) 116
Merkur	(29) 79	(28) 62	(23) 95
Peugeot	(30) 75	(30) 49	(19) 101

"CSI" indicates overall consumer satisfaction index, "Technical" indicates how technically trouble-free the car was and "Dealer" indicates the consumers' overall satisfaction with the dealer and manufacturer. Parenthetical numbers represent the make's ranking in each category.

Source: J.D. Power & Associates.

Hot performance cars muscle their way upscale

By Kenneth Wylie

Power. Lots of people want it, and one of the best places to get it is behind the wheel of an automobile—a certain kind of automobile. In the 1960s they were called "muscle cars"; today's subtler title is "performance."

More European "exotic cars," with prices ranging from $110,000 to $137,000, sold last year than in 1985.

The auto insurance companies provide some hard definitions of the performance genre. Earlier muscle cars were those with 10 horsepower or more per pound of curb weight—what the car weighs when it is ready to be driven. The Lamborghini Countach, which rockets out of Bologna, Italy, at 3,450 pounds and 420 horsepower, is outrageously muscular. The sporty Pontiac Sunbird coupe out of Pontiac, Mich., at 2,353 pounds and 90 horsepower, is not.

State Farm Insurance Co., Bloomington, Ill., the nation's largest auto insurer, now defines a performance car as an automobile the ratio of whose shipping weight to its SAE (Warrendale, Pa.-based Society of Automotive Engineers) net horsepower is less than 13.5.

Insurance companies keep close tabs on performance cars, because, basically, they would rather people walk than drive them. "There are about 3,000 auto insurance firms in the U.S.," says Harvey Seymour, spokesman for the Insurance Information Institute in Washington. "Only about 20 of them will insure performance cars." The insurance industry avoids these cars because they are built for speed, he says.

Performance car buyers "must really shop around, and may have to pay a surcharge of $100 to $200," Mr. Seymour says. State Farm levies a 25% surcharge on liability, collision and medical coverage for such autos.

In some states, Nationwide Insurance, Columbus, Ohio, the fourth-largest auto insurer, will not write any insurance on Ferrari, Lamborghini, Mercedes-Benz, Maserati or Alfa Romeo. In other states where it will insure some of the performance makes, Nationwide groups them under two headings, "undesirable" and "ineligible."

Aetna Insurance, Hartford, Conn., the fifth-largest auto insurer, "does not pursue performance car owners," according to Micaela Woodbridge, an Aetna spokeswoman. However, the company does "accommodate them," she says.

But they are accommodated at a cost. A 50-year-old, married man with a good driving record who owns a Porsche 944 Turbo in New York's suburbs will pay a six-month premium of $828. Without a seat belt, alarm system and defensive driving credits, however, the figure would have hit $1,028, Ms. Woodbridge says.

Although insurance companies can decide whether or not to write coverage on a performance car, they can't arbitrate their purchase. Automakers know that people buy highly powered, low-slung, cars for varying reasons, probably all of them closely identified with their self-image.

Because the 1987 performance car-buyer has a carnival-like variety of makes, models, styles and prices to choose from, the automakers find that a wide cast of characters are buying their products.

At one end of the spectrum is a range of extremely expensive European motor cars, generally known as "exotic cars." For example, last year 1,150 Ferraris costing $110,000 apiece were sold in the U.S. compared with 771 in 1985. Seventy-five Lamborghini Countaches and 70 Aston Martin Volantes sold at sticker prices of $125,850 and $137,000, respectively. In 1985, 62 Aston Martin Volantes were sold.

For those drivers who want something hot at a lower cost, there are some modestly priced models. A Dodge Daytona or Chevrolet Camaro each costs about $10,000. For about $12,800, Dodge offers the Daytona Turbo Z and Chevrolet sells the Chevrolet Camaro IROC-Z. Ford's Mustang GT is a bit less expensive at $12,500.

Because the performance car market's demographics span as wide a range as the cars' price tags, marketers increasingly are using psychographics to define and attract their targets. Those who have enough money to buy an exotic car are not pinching

(Continued on Page S-26)

Kenneth Wylie is an Evanston, Ill.-based free-lance writer and frequent contributor to Advertising Age.

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Exotic cars

(Continued from Page S-25)
pennies, and those who buy at the lower end are looking for a rub-off effect based on looks, styling and performance—all lifestyle, and not economic, factors.

"About one million people in the U.S. have the financial capability in net worth or income to afford a Lotus, and about 20 million people would like a Lotus or a car like it," says Wes Fredericks, chairman of Lotus Performance Cars, Norwood, N.J. There are about 20,000 potential customers for Lotus, he says, "meaning that our marketing task is finding a way to reach them and creating the climate to buy a Lotus."

All of the car marketers work out the demographics of their buyers, showing gender percentage, median age, family income etc. But psychographics count most, not demographics, says a spokesman for Mercedes-Benz of North America. "Psychographics are significant to us because a plumber who can afford our auto is not nearly as likely to buy it as a physician."

Porsche also looks at the psychographics, says Gerhard Blendstrup, VP-marketing, Porsche Cars of North America, Reno, Nev.

"There are 2 million millionaires in the U.S.," he says. "Porsche wants to sell 30,000 cars here. So to reach our buyers, we don't seek out demographics. We look for the right psychographics, which leads us to our four target audiences."

About 35% to 40% of Porsche's targets are "performance enthusiasts," a to technology enthusiasts, he says. Some 25% buy on style; 20% purchase a Porsche because it is the car of choice among their professional/social group, and about 15% buy for the comfort expensive cars offer, Mr. Blendstrup says.

Even after picking up the tab, exotic-car owners face an almost certain trail of cash-register tape. Although car-cost researchers Runzheimer International, Rochester, Wis., do not compute ownership and operating costs for performance cars, their higher operating and repair costs are well-known.

One garage owner, who asked not to be identified, says, "We may charge twice as much for a repair on the rare ones just to cover our liabilities. One of those exotic cars may start and run out of here fine on Monday but not at all on Wednesday."

John Cinque, owner of Highwood, Ill.-based John's Auto Repair, which specializes in work on performance cars, says, "We're not really being paid for our knowledge, not paid enough, considering the product we're working on." A Lamborghini owner, he says: "These cars require service more often to keep them running properly, and parts are hard to get."

But price is not pertinent. In fact, some automakers are attempting to give a high performance patina to more mainstream lines. Chevrolet puts it in writing in spread ads for its subcompact Cavalier Z24: "Performance: You Don't Just Paint It On, You Build It In ... Lift the lid. There sits the ... engine ... borrowed from the technology of the Camaro IROC .... Below deck you'll find handling inspired by Corvette."

Performance cars always have been test beds for the design advances that migrate down to the masses. About 2 years ago, Chrysler Corp. put more space between its three divisions to differentiate products, ordaining Dodge its Performance Division.

One example of the new Dodge mission is the Daytona series, making performance available at a medium price. These cars' technology is expected to influence the whole corporation, as is Chrysler's association with performance innovator Carroll Shelby, who has been transplanting muscular personas into Dodge products, such as Omni and Charger, for several years.

The performance car rub-off also is under way in other shops. "The design effects of Camaro and Corvette show through in Chevrolet's new Beretta and Corsica," says Jerry Palmer, former chief designer for Camaro and Corvette, now director of Advanced Design for the GM Design Staff. "This is the next '55 Chevy—the Beretta 2-door and Corsica 4-door."

Pontiac says the technology of its Firebird series of four performance models has influenced the design of the new midsize Bonneville sedan.

"Usually performance cars get the novel things," says Paul Preuss, manager of public affairs of Ford's Product and Technology Office, Dearborn, Mich. "So frequently they do apply to models down the line. An example is the anti-lock brake system (ABS) used now on the Lincoln Mark VII and Thunderbird Turbo Coupe. We're looking to apply ABS to all models in coming years."

And while performance car attributes might pull customers toward more mainstream models, the performance lines themselves must continuously be updated to attract new drivers who want only the latest in design and technology. Ford's 1987 Mustang features new front and rear-end treatments, new aerodynamic headlamps, interior remodeling and a 5-liter, fuel-injected, 225-horsepower, V-8 engine.

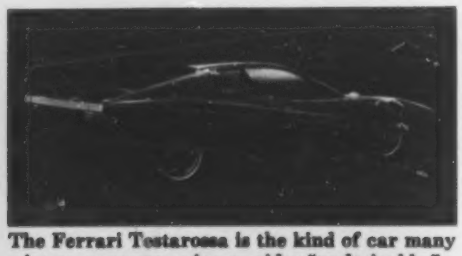
This car already is being dated by a 1988-1989 model developed jointly by Ford and Mazda that will have front-wheel drive. "Front-wheel drive is the choice because of better power delivery and better fuel economy," says Ford's Mr. Preuss.

New to the U.S. for 1987, after a celebrated 1986 introduction in Europe, is the Merkur Scorpio. This Ford of Germany product comes as a welcome marketing companion to its forerunner by two years, the Merkur XR4Ti, which reportedly missed its sales goals in 1986 by several thousand.

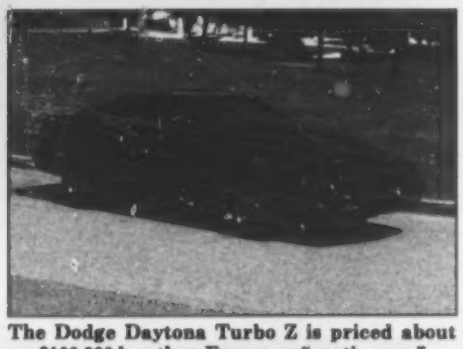
"In calendar 1986 we sold about 11,000 of the XR4Ti," states Randy Barr, Merkur marketing manager, Lincoln-Mercury Division, Ford Motor Co. "The trend now is upward. We think we'll see a stronger franchise when Scorpio is in the market, getting some synergy, further credibility, long-term commitment. Starting a new brand is extremely hard, so we're stengthening this effort by adding a brand name."

Such evolutionary change is more typical of the performance car field than annual, or even frequent, revolutions in design and mechanics. "Corvette began in 1953," says Jerry Palmer, former chief Corvette designer. "But the current Corvette is different even from the 1982 model. Everything is brand-new in the 1987 model—very contemporaneous. But you never wipe the slate completely clean. We want to keep the heritage of these cars clear, to make sure the lifelines come through very clearly. You don't change design every year, so you don't get too trendy."

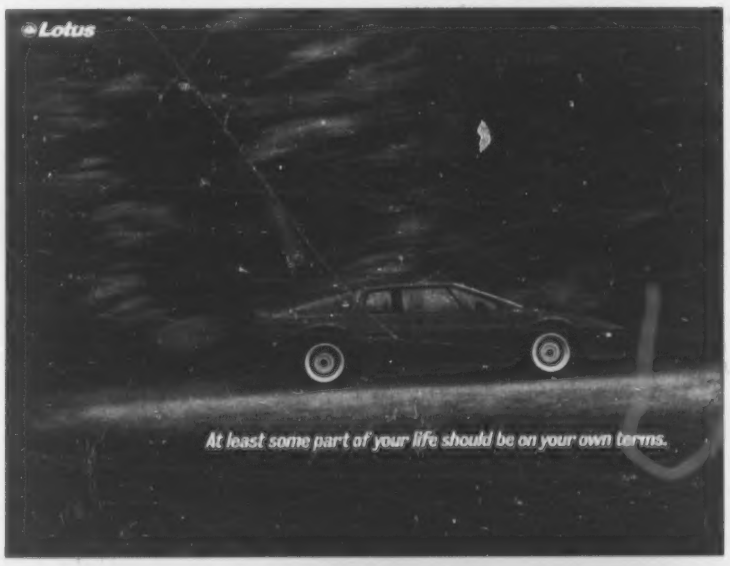
Maserati is promoting the power of its V-6 engine and twin turbos found on race cars.



The Ferrari Testarossa is the kind of car many insurance companies consider "undesirable."



The Dodge Daytona Turbo Z is priced about $100,000 less than European "exotic cars."



Potential Lotus customers number about 20,000 in the U.S., Lotus Chairman Wes Fredericks estimates.

The Lamborghini Countach weighs 3,450 pounds and is rated at 420 horsepower.

In 1986, 70 Aston Martins Volantes were sold at a sticker price reaching $137,000.

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Parts stores building do-it-yourselfer loyalty

By Cathy Curtis

Not very long ago, the idea of a yuppie shopping in an auto parts store would have been someone's idea of a joke. As traditional auto aftermarket wisdom had it, the typical parts customer was male, blue-collar, under 30 (some say 18-to-34), earning less than $30,000 and with the time and inclination to turn grease monkey on Saturday mornings.

Although this profile of the do-it-yourselfer is still valid, the market is getting older (34% are between 35 and 54), richer (19% make more than $40,000 a year), better educated (54% have attended some college) and less overwhelmingly male (30% are women), according to *Automotive Marketing's* 1986 Consumer Automotive Repair Study.

And, whether they install their own shock absorbers, buy motor oil, pick out a seat cover or an air freshener, these are the 84.5 million people, the 72% of American car owners, everyone wants to woo.

These days, "everyone" includes variety, drug, discount, grocery, convenience, department, hardware, auto supply and other stores as well as service stations, specialty repair shops and the mom-and-pop jobber.

Auto parts stores rank only fourth in number of outlets after service stations, independent repair stores and grocery stores among 507,300 outlets carrying automotive products, according to the 1986 Retail Automotive Distribution of Parts Study by the Foundation for Aftermarket Industry Research.

Retailers are all lining up for a slice of the roughly $28 billion over-the-counter parts and accessories market, according to Ed Kaufman, a marketing consultant with Tenafly, N.J.-based Lindsey-Kaufman.

Although some of the big retailers have been around for more than 75 years—Western Auto was founded in 1909, R&S Strauss in 1919, Pep Boys in 1921—it took the oil crisis of the '70s to turn the do-it-yourselfer into a retailer's hero. The traditional stores, lampooned by the mass marketers as "greasy parts counters," had concerned themselves almost exclusively with servicing the professional mechanic.

But with the closing of 100,000 gas stations and other repair outlets, a new group of do-it-yourselfers entered the market. Their needs were attended to by increasing numbers of non-automotive stores that saw the promise of high profit margins in homely cans of motor oil. Conglomerates, aware of the decentralized nature of the market, gobbled up parts stores like peanuts.

When Dallas-based Southland Corp., of 7-Eleven fame, bought what was then the 119-store Cerritos, Calif.-based Chief Auto chain in 1978, it seemed to start a trend. Since then, Southland has acquired and combined with Chief the Texas-based Checker Stores—formerly under the wing of Lucky Stores Automotive Division—and 2002 Auto Parts stores, as well as Honey's stores in Tennessee and nearby states. The current Chief store tally is a hefty 475.

Other major acquisitions in recent years include Shiremanstown, Pa.-based Rite Aid Corp.'s takeover of the Avon, Mass.-based ADAP , which now has 59 stores in Boston, New York and New Jersey, and Seattle-based Pay 'n Save's purchase of Schucks Auto Supply chain in Tukwila, Wash. Pontiac, Mich.-based Perry Drug has been one of the most aggressive players, snapping up the 50-store Fleenor's chain in Indianapolis; Corvairs' 47 stores in Columbus, Ohio; Lampert/Singer and Pappy's Discount stores in southern Illinois and—just last summer—Trio Auto Parts in Michigan for a total of 192 stores.

The competition has forced auto parts stores to spruce up their act. Chains are trying to create a supermarket atmosphere, with store sizes ranging from 1,800 to 20,000 square feet. The basic ingredients are bright lighting, snappy, color-keyed graphics and, as Mike O'Hara, Los Angeles based-Pep Boys' national director-marketing puts it, "gondola after gondola of access."

Yet, even here there are some variations on the theme. Chief eliminated the parts counter. Bill Wooton, VP-specialty retail and head of Southland's Chief division, was quoted in *Automotive Marketing*: "It's ludicrous to take 4,000 square feet and cut it in half with a counter. The counter . . . is ancient history. Everybody's behind the counter because they don't have to get out and get close to the customer."

Crown Auto, Minneapolis, on the other hand, is putting a new emphasis on counter service. "It's a better move for technical application products like water pumps and spark plugs," argues advertising manager Glenna Dibrell. "It was deemed that those products needed to be behind parts counters where you can talk with someone . . . so people don't pick up a box and hope they have what they need."

Stores also are trying to woo customers with specialized services. Chief, which pioneered a 1-year warranty when 90 days was standard, introduced a 5-year, 50,000-mile warranty on hard parts in May 1985. Since then, Trak Auto has come out with a 7-year, 70,000-mile offer, and Western Auto has joined the 5-year bandwagon.

But Chief's advertising manager, Kenny Cason, insists that when you're the first to come out with such a deal, "consumers usually perceive you as the leader." Chief rolled out a TV campaign in 1985 in all its markets, while touting the warranty in newspaper ads, external store banners and point of sale materials.

Crown Auto is emphasizing counter service despite a feeling within the auto parts industry that it reduces customer access.

Crazy Joe's Auto Parts, Kannapolis, N.C., offers Snappy Fax, cards programmed with do-it-yourselfers' personalized car data that can be fed into a computerized system offering information on appropriate car parts. "Parts look-up has become a nightmare," says John Hill, VP-advertising. "[The card] enables the customer to come in and immediately wait on himself. It really replaces the confusing and timely task of looking in numerous catalogs."

Crazy Joe's advertises Snappy Fax on TV with Ernest T. Worrell (actor Jim Varney) telling his unseen friend Vern how easily the card allows him to look up all the information he needs. Weekly newspaper ads, which usually are tied to discounts on high volume products like oil filters, offer an additional discount to card holders. More than 40,000 do-it-yourselfers in the Carolinas now have the card, but whether it has increased sales is not known.

Champion has had success with its in-store videodiscs explaining product applications. The company is about to introduce a home videotape teaching series. The tapes will be rented to customers and syndicated to cable TV in the nine Midwestern states where Champion's 123 stores are.

"The major thing that keeps people from servicing their cars is lack of knowledge," says Dean Billbe, VP, Champion sales and marketing. The first 30-minute tape deals with brake repair.

Pep Boys has eight to 10 service bays in all its new stores. R&S Strauss has service bays in 34 of its 52 stores in New York, New Jersey and other mid-Atlantic states. All but three of Crown's 53 stores offer service, usually with four bays.

As Ms. Dibrell points out, "Even the do-it-yourselfer is interested in having someone do it for him if the job is too complicated, if it's too cold outside or the discretionary time isn't there." Previously known for its parts business, Crown is increasingly gearing promotional efforts to service. While service specials used to appear at the bottom of ROP ads, they now have pride of place in preprinted inserts. Service was a major feature in six of seven tab inserts Crown prepared in 1986, Ms. Dibrell says. She reports double digit increases in Crown's service business as a result.

So far, neither generous square footage nor service has much to do with the secrets of success in the auto parts field, according to a survey in *Automotive Marketing's* 1986 "Auto Aftermarket Retailers' Guide." The key to this consumer-driven market, according to this source, is an absence of competition, a commitment to advertising, longer store hours and professional management.

This is indeed the era of a belated plunge into centralized advertising and marketing, point-of-purchase systems operations, up-to-date accounting and plan-ogramming methods and an effort to provide better personnel training.

Advertising, however, atill tends to stick with the tried and true. Champion has an advertising budget "well over $3.5 million," according to Mr. Billbe. In April the company, which had previously used line-drawings in its advertising, plans to use "real four-color, photography-type" ads for the first time, in hopes that consumers will better perceive the "value and beauty" of such accessories as car compasses, mirrors, seat covers and litter bags, he says. The ads will target consumers who are becoming more discerning about the appearance of their cars.

Seemingly typical advertising strategy comes from R&J Strauss' twice-weekly ROP ads, printing 8-page insert tabs eight times a year and getting a taste of radio and TV.

Not at all typical is Chief's $10 million to $14 million ad budget. It goes largely into print, which troubles Mr. Cason. "The auto aftermarket is probably some of the worst advertisers in the retail business," he says. "It's very difficult to get auto retailers out of the newspaper. I think broadcast is an excellent way to go—you reach a hell of a lot more people. In the papers you reach the same people week after week."

One nagging question is whether the do-it-yourselfer tide has peaked. The parts manufacturers tend to think it has, while the retailers are more sanguine.

An aging automobile population and the increasing electronic and mechanical complexity of new cars points to a hands-off attitude by once gung-ho do-it-yourselfers. Parts themselves are lasting longer and in some cases are not required in the same numbers, as, for example, the trend from eight to four-cylinder cars bears out.

The aftermarket is primarily concerned with cars between 3 and 10 years old (under 3 years, a vehicle is covered by warranty; more than 10 years—some say 7 or 8—it becomes an old clunker). In recent years, the age of the average car on the road has remained an aftermarket-healthy 7.5 years.

On the other hand, longtime do-it-yourselfers aren't about to give up a favorite activity. "People just adjust to the new technology, that's all," says Burt Falbaum, VP-corporate communications, Pontiac., Mich.-based Perry Auto Works. He points out that progress can sometimes involve an easier task; for example, disc brakes are easier to install than drum brakes. "In any case, there are other things people can do that don't require technical knowledge—changing the oil or the air filter," he adds.

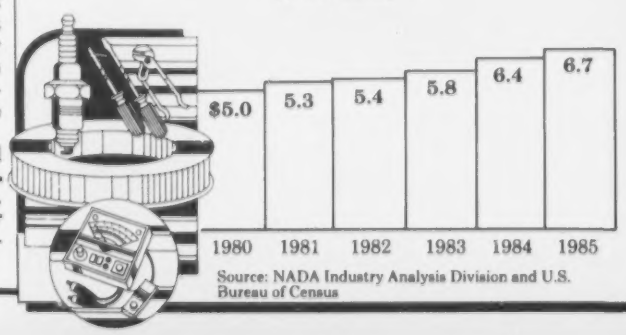
The do-it-yourselfer remains a hardy breed. The 1986 *Automotive Marketing* Consumer Automotive Repair Study has some figures that must brighten even the gloomiest forecast: 39% of the do-it-yourselfers report they are increasing their involvement. And some 8.6 million say they spend more than 10 hours a week working on their cars.

Cathy Curtis is a Long Beach, Calif.-based free-lance writer and frequent contributor to Special Report.

Service and parts market growth

General merchandise stores

($ billions)



Source: NADA Industry Analysis Division and U.S. Bureau of Census

Quick-lube outlets striking oil in aftermarket

By Len Strazewski

The last bastions of the automotive aftermarket entrepreneur —specialty service centers offering quick oil changes, lube jobs and tune-ups —grew like wild wheat during the early 1980s.

Their growth potential was enormous then, according to specialty-company executives, because American consumers needed fast service to fill the gap left by gasoline dealers who had converted to self-service during the energy crisis of the 1970s.

Just as the entrepreneurs geared up to fight for their share of the growing market, two big automotive-allied companies announced they had come to sow some seeds of their own.

In late 1985, Quaker State Oil Co. acquired Salt Lake City, Utah-based Minit-Lube, the third largest of the fast-lube companies, and late last year, Avis Rent-A-Car announced plans to build its own network, Avis-Lube.

Did these announcements spell the end of the more than 40 independent companies already in business? Not at all, executives say. If anything, the entry of the big guys is making their marketing job easier.

"We're not discouraged," says a spokeswoman for Jiffy Lube International, Baltimore, Md., the largest of the independent quick-lube companies. "Far from it. The market is far from saturated, and in fact the biggest marketing problem we face is generating recognition for our services. The more quick lube companies that enter the business, the better the awareness of the value of the fast-lube business. Jiffy Lube sees this as a new opportunity."

Len Strazewski is a Chicago-based free-lance writer and frequent contributor to Special Report.

According to statistics compiled by the Convenient Automotive Services Institute, a Baltimore-based trade group representing the fast-lube industry, Jiffy Lube dominates the category with more than 400 active stores—57% of the U.S. total among association members—in 36 states as of December 1986. Other industry sources estimate the number of facilities offering quick lubes and other services is approximately 2,000, with Jiffy Lube still having the largest single share of the market.

Jiffy Lube also has the biggest ad budget, approximately $5.2 million in spot TV and an undisclosed amount for print advertising handled by Lois, Pitts, Gershon, Pon/GGK, New York.

Despite the increased competition, Jiffy Lube expects to have 1,500 franchises sold by 1992, the spokeswoman says.

Denver, Colo.-based Grease Monkey International, the second largest of the quick-lube companies with about 80 stores in operation and 350 franchises sold, also sees the benefit of more competition.

"It all adds to our credibility," says Dave McDonald, VP-marketing for Grease Monkey. "And it actually improves our market position. Back in the 1970s, the oil companies got out of the service business and left it to us. Now they see that there's money in it so they're back.

"But as Quaker State and others get involved with the business again, they'll see the aggravation of running a business from afar again. They'll get impatient and we will benefit."

Relief from aggravation is exactly what Grease Monkey promotes in its consumer advertising. The Grease Monkey campaign, created in-house and produced by Fred Arthur Productions in Denver, emphasizes the speed of service and the economy of no add-on service, Mr. McDonald says.

Mr. McDonald would not reveal the company's annual ad budget, but did say that franchise agreements call for ad budget contributions of 4% to 6% of the network's undisclosed sales.

So far, Quaker State's ownership of Minit-Lube has done nothing but improve business, says William Gee, the company's founder, president and chief operating officer. Mr. Gee founded Minit-Lube in 1977, modeling it on his successful fast-food franchise, Arctic Circle. By the end of last year, the franchise chain had more than 870 units and with the additional marketing and financial support, business is practically doubling, he says.

"In January we opened 20 new stores and by the end of 1987, I expect to have 200 units around the country. This growth is due in no small part to Quaker State. They are putting an awful lot of money in us."

Mr. Gee says Quaker State's goal is to control market share for the company's petroleum products, but the Minit-Lube franchises gain a lot, too.

"I think it lends something to the credibility of the concept," he says, agreeing with his competitors. "The need for this kind of service has been around for years and years. The concept is fairly simple, and if operated properly, the stores can be terribly profitable."

Unlike its larger competitors, Minit-Lube offers a broader range of services, servicing all fluid needs of automobiles. And Mr. Gee's service philosophy still dominates, despite the bigger company ownership.

"All customers are personally greeted within 30 seconds of arrival. Doors are held for every customer—man, woman or child. Windows are washed," Mr. Gee says. "We want to be as far from the traditional service station concept as possible. Our concrete floors are scrubbed and waxed, and I dare say that our facilities are as clean as many restaurants."

In fact, the marketing model for the Minit-Lubes are derived much more from the fast-food chains than from service stations. Store and logo designs feature bright yellow and orange colors, and the company has trademarked its "Look for the Stripes" slogan. Minit-Lube franchisees spend about 10% of their total sales in advertising, about $5 million last year. The campaign, approximately 80% of which is in radio and spot TV, is managed by Evans Communications, Salt Lake City.

The newcomer to the quick lube scene, however, is Avis and its new division, Avis Service. Its entry is somewhat more threatening than Quaker State's because the company comes from completely outside the automobile service industry.

"They scare the heck out of me," says Minit-Lube's Mr. Gee, only half-facetiously. "But we are just going to keep going on the way we have been and see how they develop."

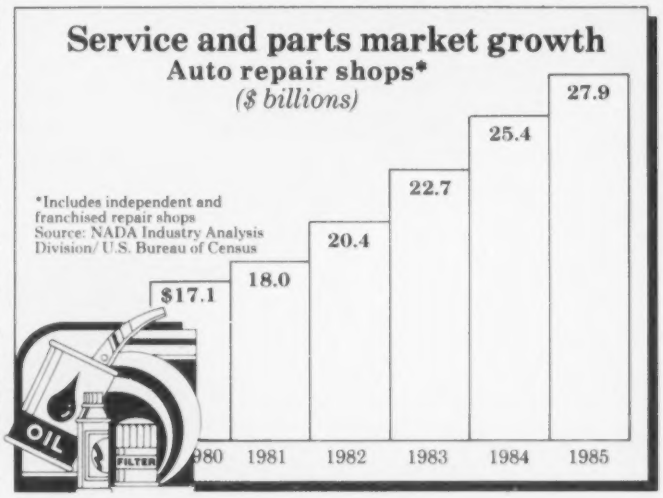
Avis has ambitious plans, according to VP-general manager Vincent A. Russo, culminating with a 1,700-unit network by the early 1990s in a market of 6,000 to 8,000. The Avis-Lubes will be separate from the company's rental car network, though some franchisees may choose to have both in adjacent locations, Mr. Russo says, adding that interest is already strong.

"Since we made our announcement [in late 1986], we have had 600 inquiries from 46 states—and we haven't even started marketing yet," he says. "There is a tremendous opportunity in this field and despite some of our larger competitors, the market is nowhere near saturated. In fact, some of the densest population centers of the country, such as New York City and Long Island, have some of the fewest centers. This area alone has tremendous growth potential."

Avis expects 400 units by the end of 1987, 600 by the end of the following year and a steady growth rate of 150 franchises annually through the 1980s. Some of the franchise purchases will come from small existing operations looking to merge with a bigger company, but most will be new operations, Mr. Russo says. Avis also is likely to retain ownership of a few stores for research and development purposes, he adds.

Avis' ad budget is undisclosed, but media will involve a mix of TV, print and direct mail. Ted Bates, New York, is preparing a traditional media campaign and Kobs & Brady, Chicago, is working on direct mail.

Who will be the next major company to enter the quick-lube business? Industry executives have no predictions, but say that more such entries are inevitable as more and more allied companies realize that when they abandoned the concept of service stations in the 1970s, they left behind fertile soil that really has yet to be exploited.



Proving that broken windshields can be fixed

There's a secret to salvaging a broken $300 windshield for $50, and the secret is tired of being a mystery.

Novus, a Minneapolis-based company franchising a patented system for repairing glass and removing scratches, is trying to crack the competitive automotive aftermarket by emphasizing regional advertising and using pr to tell its story.

But the company, which has been serving the automotive fleets of Avis Inc., Budget Rent a Car Corp., Eastman Kodak Co., General Mills, Hertz Corp., Ryder System and U-Haul International, among others—some repairs are done in-house, others are made through service centers and body shops—is finding that consumers may be slow to recognize a good thing.

"We're very well-known in the commercial end of the business. The lion's share of our business is industrial. However, we are just beginning to crack the consumer market," says David R. Schuh, manager of sales and marketing. "And the consumer market is a tough one to crack. The advertising costs are incredible and the market is extremely difficult to segment. We are used to dealing with a vary narrowly defined market."

Founded in 1972, the company's service is supplied through more than 1,200 automotive centers that sell Novus (among other services) in the U.S. and 23 countries. The company is converting its dealers into franchisees, 600 of which have been sold as of the end of 1987. Gross revenues for 1986 topped $30 million.

The dealer network was built on marketing tactics that reached trade clients efficiently and economically: Direct mail and cold sales calls to auto dealers and insurance companies and some trade magazine advertising in publications that focus on automobile insurance and corporate fleet management.

The same tactics, however, won't work with the consumer market, Mr. Schuh says. "It takes broad media to tell our story."

Novus has allocated a consumer ad budget of $250,000 to Minneapolis agency Clarity, Coverdale & Rueff for print ads in general interest magazines and regional newspapers and magazines. The ads are designed to be dealer support; they promote a toll-free telephone number for dealer referral.

"Some individual dealers are doing much more, using spot television, radio and billboards, but that kind of marketing is not something we can expect from all our franchisees. When you're a small company, it's hard to manage that kind of effort nationally. We're just going to have to wait until we grow."

Public relations, however, can be done on a limited budget, Mr. Schuh says, and Novus has assigned those duties to S&S Public Relations in Skokie, Ill. The pr campaign has already yielded some national coverage, including a January story in *USA Today*.

"Most people don't think of glass as something that can be repaired instead of being replaced," Mr. Schuh says. "They don't realize that they don't have to spend $300 for a new windshield, and they don't realize that many insurance companies will waive deductibles for using our repair service over glass replacement. We are also trying to remind consumers that a repaired automobile is more valuable than a damaged automobile at trade-in.

"We think this is quite a story to tell and our public relations campaign is helping tell it. As our recognition grows and our franchises grow, we can spend more on advertising the service," Mr. Schuh says.

And by that time, the secret will be out.

—*Len Strazewski*

Car care options

Number of auto repair facilities 1985

Franchised new car dealerships	25,100
Auto repair shops	201,000
Tires, battery & accessory dealers	17,200
Service stations	61,000
Mass merchandisers	1,600
All other	1,400
Total	307,300

Includes independent and franchised repair shops.
Includes only those outlets that perform "significant" repair work beyond simple oil changes or those establishments that receive at least 2% of total dollar revenue from service labor.
Source: NADA Industry Analysis Division

©Image Bank/Steve Krongard

Goodyear takes good share

Estimated shares of U.S. replacement market held by passenger tire brands

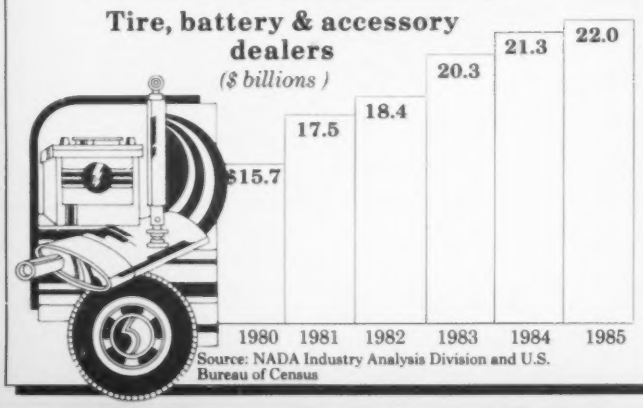
Company, headquarters	Per cent of market
Goodyear Tire & Rubber Co., Akron, Ohio	15.5%
Michelin Tire Co., Greenville, S.C.	10.0
Firestone, Akron, Ohio	9.0
Sears Roebuck & Co., Chicago	8.0
Uniroyal Goodrich, Akron, Ohio	7.5
General Tire, Akron, Ohio	3.0
Dunlop Tire, Buffalo, N.Y.	3.0
Armstrong World Industries, New Haven, Conn.	2.0
Bridgestone USA, Inc.	2.0
Cooper Tire, Findlay, Ohio	2.0
Dayton (Firestone), Akron, Ohio	2.0
Kelly-Springfield Tire, Cumberland, Md.	2.0
Montgomery Ward, New York, N.Y.	2.0
Others	32.0

Source: *Tire Business*, a Crain Communications, Inc., publication

Service and part market growth

Tire, battery & accessory dealers

($ billions)



Source: NADA Industry Analysis Division and U.S. Bureau of Census

Customizing the consumer

Franchised new car dealers service and parts sales

($ millions)

Service labor sales	*1984*	*1985*	*Per cent change*
Customer mechanical	$4,818	$5,434	12.8%
Customer body	2,192	2,431	10.9
Warranty	1,848	2,174	17.6
Sublet	1,096	1,187	8.3
Internal	1,797	2,002	11.4
Other	994	1,073	7.9
Total service labor	*$12,745*	*$14,301*	*12.2%*
Parts sales			
Customer mechnical	$3,503	$3,854	10.0%
Customer body	2,228	2,389	7.2
Wholesale	5,713	5,954	4.2
Counter	1,365	1,407	3.0
Warranty	2,318	2,640	13.9
Internal	1,869	2,023	8.3
Other	971	1,001	3.1
Total parts	*$17,967*	*$19,268*	*7.2%*
Total service & parts	*$30,712*	*$33,569*	*9.3%*

Source: NADA Industry Analysis Division

©Image Bank/Al Satterwhite

Tire dealers forced to pump fresh air into soft market

By Chris Slaybaugh

In an industry where fortunes were once made by changing customers' flats, tire dealers are now trying to inflate their own flat sales.

Several factors, including the popularity of long-lasting, steel-belted radials and a decrease in miles driven, have taken the air out of tire sales.

Smaller cars represent a double-whammy: Light and easy on tire rubber, they use smaller, cheaper tires that bring smaller profits to dealers.

And while sales lag, tire sellers are getting more plentiful. Jerry White, who owns Beaumont, Texas-based White Tire Supply, has witnessed the recent growth of warehouse clubs, which offer cut-rate prices.

"Over a long period of time we've seen the oil companies come and go with their programs, and the company stores rise and fall, and we've even seen a few so-called discount hot dogs rise and fall," he says. "But the only people that ever struck fear into my heart are the warehouse clubs, because there is such an enormous disparity in price."

By taking small markups and relying on volume, discount warehouses offer drastic price cuts. "In the past, the other people would undercut me 10% or 15% on a good day, and these people are far below that," Mr. White says.

Industrywide competition has made matters worse by bringing prices down. Retail tire prices have dropped 12% over the last year, estimates Tom Brawley, VP-marketing and distribution for Englewood, Colo.-based Big O Tire chain. "But wholesale costs haven't come down by that margin, so dealers are working on reduced margins, and profitability and staying open become a challenge," he says.

Even so, Big O, the nation's largest independent tire dealership, according to *Tire Business*, has met the challenge. The company added 27 of its 252 outlets in 1986, at the same time boosting sales 8.4% to $181 million, according to Mr. Brawley. Big O targets quality-conscious customers by providing them with "fast, efficient and clean service," he says.

Upscale consumers "don't want to drive to Billy Bob's gas station and have the interior spotted with grease, a ding put on the bumper accidentally and the $100-apiece wheels gouged due to inadequate care," Mr. Brawley says.

Mr. Brawley says he believes that an effective way of appealing to these consumers is "the silent advertising supplied by a clean, well-maintained facility." Citing the company's in-store surveys and follow-up mailers, he says: "The No. 1 reason for coming into the store is drive-by appearance and awareness."

He also says the company devotes 15% of its $7.2 million ad budget to TV ads that showcase its facilities. Of Big O's remaining ad dollars, 15% go to radio, and 70% to newspapers.

Like other tire dealers, Big O has gone heavily into ancillary automotive services to make up for declining tire profits. Its Extra Care program includes tune-ups and front-end repairs,

Chris Slaybaugh is an Akron, Ohio-based free-lance writer.

Detailers master fine points

By Cleveland Horton

How many times has it been said that Americans have love affairs with their cars? Probably too many, but sharp entrepreneurs rarely lose money banking on that fact.

The latest effort to tug at the heartstrings and wallets of car lovers comes in the form of auto detailing: The practice of restoring that "new car look, feel and smell" to the family wheels. More and more upscale car owners are turning to these cleaning specialists who charge up to $400 to go over a vehicle with a fine-toothed comb, a toothbrush and Q-Tips.

Until recently, most auto detailers were small, one-garage operations usually supported by a few bread-and-butter contracts with car dealers. Dealers would send their new cars to the detailers prior to delivery to ensure that the new car indeed looked like a new car. In addition, used car trade-ins often received a royal cleaning to help pump up sticker prices.

But now, the auto detailers are setting their sights on the car owners themselves, reminding them that only careful—albeit expensive—care can protect their investment. Optimistic market analysts predict the auto detailing industry could grow from $200 million in sales this year to $2.5 billion by the middle of the next decade.

One company already is thinking national. Steve's Detailing, which began as a one-garage, one-man operation headquartered in Newport Beach, Calif., already has sold 100 franchises nationally at $45,000 a pop, 26 of which are open.

The typical detailing job at Steve's includes a hand wash, engine degreasing and cleaning, exterior polish and wax and complete interior cleaning. The four-hour job costs an average of $135—the price varies, depending on the condition of the car. The outlets also offer the hand wash alone for $15. A typical outlet can complete 20 details and 40 hand washes per day, with an average yearly gross income of about $125,000.

The man behind Steve's Detailing is Stephen Marchese, 35, who began detailing in 1971 on weekends as a way to supplement his income as a manager for an electronics company. When business boomed, he started detailing full time and even managed to open a second outlet in Orange County. Those two locations now serve a customer base of 6,000 car owners who take their cars in to be pampered an average of three times a year.

The success of the first licensed shop—matching the volume of the more established Orange County outlets in just three weeks—encouraged Mr. Marchese to establish Steve's Detailing Management Corp. in Costa Mesa, Calif., as a franchising agent.

He hired his wife, Joni, as corporate secretary, and recruited Charles Milden as president and Jeffrey Parks as VP-marketing. Messrs. Milden and Parks were early customers of Steve's Detailing, although neither had any experience in franchising.

Mr. Milden gave up his position as president of State of the Art, a software development company, while Mr. Parks resigned as regional VP of Human Synergistics, a management consultancy, to join Steve's. Both men's experience in computer systems helped SDMC to create a "goof-proof" software program for franchisees.

The company's computer system handles accounting, scheduling and even reminds the store operator when to call customers to tell them it is time to have their cars detailed.

The primary customers of Steve's Detailing are owners of foreign—mostly German-built—cars. Before selling a franchise, SDMC will analyze car registrations for a particular region and crunch the numbers into a "vehicle potential system." On that list of prospects are owners of Mercedes, BMWs, Porsches and Audis. High-end Japanese cars also make the list, as do domestic 4-wheel-drives.

Mr. Parks cites three factors that bode well for car detailers. The price of cars is rising—the average car now costs about $12,000; there are more interesting cars on the road and manufacturers make substantial changes in models less frequently. "The only difference between an '86 and an '84 Mer-

as well as brake, alignment and suspension work. In 1986 the company devoted about 25% of its ad space to promote Extra Care, typically offering specials in services, such as brakes or wheel alignment, and free safety inspections, says Mr. Brawley.

These services form a growing part of Big O's sales picture: In 1985 tires provided 85% of sales. In 1986 other services accounted for 22%, with sales projections for 1987 reaching 30%.

The movement of tire dealers into automotive service is widespread. According to Tony Hylton, director of communication services for Washington-based National Tire Dealers and Retreaders Association, automotive services are of growing importance to members: "It used to be that maybe 15% or 20% of their gross sales were services. Now they're finding that trend to be 25% and 30%, with many planning, in the next few years, to be at 50-50 gross sales."

A look at dealers' profit pictures explains why. A study conducted last fall by Akron, Ohio-based *Tire Business*, a Crain Communcations publication, found that dealers average 26.7% gross profit on tires, while earning 35.6% profit on service parts and 64.8% on labor. Dealers surveyed reported that while automotive services made up only 25% of sales, they provided a whopping 44% of profits.

Goodyear Tire & Rubber Co. and Firestone Tire & Rubber Co., both Akron, Ohio-based tire manufacturers that maintain dealerships, are emphasizing services. "We are going to be devoting more and more attention to services," says Goodyear's VP-worldwide advertising, James K. DeVoe. "Service is a major portion of our industry, and that's what we are going to take care of."

Firestone's commitment to service has included the installation of a $25,000 computer diagnostic machine in each of its 1,400 company-owned stores. Non-tire services offered by Firestone include under-the-car, engine and suspension work, brakes, air conditioning and batteries.

In addition to service, Firestone is becoming more active in high-performance car tires. According to company figures, the total performance market is worth $2 billion, with 10% annual growth expected until 1990.

Accordingly, Firestone introduced a performance line called Firehawk, promoted by sponsoring the Firehawk Endurance Championship, a race series run on Firestone's performance line, the "Firehawk." And to attract true performance mavens, Firestone has installed specialty shops called "Performance Proshops," in 100 of its existing stores.

"We offer the performance enthusiast someone who has the special training to converse with him," says Jerry Kerr, director-advertising at Firestone. In these shops customers can buy not only Firehawks, but performance tires made by other makers, including Pirelli and Yokohama, in addition to performance spark plugs, wheels and other parts. Firestone hopes the Proshops will produce a total $4 million to $5 million in incremental sales in the coming year.

Where market performance is concerned, one of the front-running dealers is 4day Tire Stores, an Irvine, Calif.-based chain. The company takes its name from its work week. Partners Phil Lansdale and Don Carr discovered that most tires are sold at the end of the week, and so they decided to be open for only the 43 most productive hours, allowing them to cut overhead by hiring only one shift and avoiding overtime.

Advertising appears in 25 newspapers each week, reaching an estimated 20 million readers. In 1987, 4day expects to spend $2.5 million on newspaper ads, along with $1.25 million each for radio and TV.

Founded in 1969 with five outlets, the company now owns 52 stores, with sales of $63.4 million in 1985.

Although the tire game may be difficult, the players are confident. Jerry White, in the same breath he used to discuss the difficulties of the industry, added: "That sounds like whining, and I don't need to whine. I'm getting excited about the industry all over again."

cedes is how shiny it is," he says.

The only way for Steve's to develop a national brand identity, according to Mr. Parks, is to maintain strict control over the quality of the service and the public image.

Following McDonald's lead in the fast-food franchising business, SDMC set up "Detail University." Franchised shop managers are required to complete a two-week course at DU before they can operate an outlet.

In addition, SDMC relies on Corcoran & Associates, Newport Beach, Calif., to develop a national advertising plan as well as local efforts. Franchisees pay a percentage of their gross income into a national advertising fund. Gelman & Grey Communications, Los Angeles, handles pr.

To date, SDMC has run ads in business publications, including the *Wall Street Journal*, in an effort to both establish the Steve's Detailing name and to sell franchises. As more outlets open, SDMC will adopt a larger ad push with eventual plans to break national consumer print, TV and radio ads.

With the franchise operation well under way, Mr. Marchese's next plan is to market a line of auto care products first through his outlets and eventually through retailers. If sales of these products mirror his franchise operation's growth, he probably will clean up.

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Source: 1985 SMRB Scarborough Newspaper Study, Survey of Buying Power, July, 1986

Muffler specialists make noise under the car

By Julie Candler

Business is noisily roaring along among the companies that specialize in silencing cars by replacing their noisy and worn mufflers. Major muffler chains expect the good times to continue well into the 1990s, even though the demand for their most important product is flattening.

To compensate, the companies are becoming under-the-car specialists whose technicians also repair brakes, shocks and suspension systems.

The muffler market began to flatten in the 1970s. A typical 1960s car needed a new muffler and, possibly, exhaust pipes every 10,000 to 15,000 miles.

The interval between muffler replacements began stretching when 1975 model cars came equipped with catalytic converters to meet federal emission standards. When manufacturers upgraded exhaust system quality to withstand the converters' intense heat, six to eight months were added to the average muffler's life. Today, most cars can log 20,000 to 25,000 miles before leaky exhaust systems begin roaring for replacement.

The market may flatten even further as automakers move increasingly to corrosion-resistant stainless steel that can stretch an exhaust system's life another 30%. Ford says it started the trend toward stainless steel in December 1985 with the Ford Taurus and Mercury Sable. They are on several other 1987 Ford models and all 1987 cars from Chrysler Division of Chrysler Motors.

Stainless steel exhaust systems, depending on usage, will last up to 32,500 miles, or nearly four years, estimates Ford's Charles Gumushian, assistant manager for product and technology public affairs.

The use of unleaded gas, which is less corrosive than leaded, has also quieted muffler sales, says John R. (Ron) Moore, president and ceo, Midas International, Chicago.

Mr. Moore cites another factor: The drop in registrations of new cars from 1980 to 1983. The primary candidates for muffler replacement are 4-to-8-year-old cars, he says. The car slump that started in 1980 reduced the number of mufflers rusting out in 1984 through 1987.

Because of recent near-record car sales, "we predict an increase in potential exhaust sales from 1988 to 1990," says Mr. Moore. "After that, maybe stainless will have some impact."

Today, annual retail sales of exhaust systems by all service outlets, excluding do-it-yourselfers, are expected to continue at their present rate of $1.3 billion to $1.4 billion. An estimated 40% to 50% of the business now belongs to the muffler specialists, who expect their share of the market to keep on growing.

Mr. Moore estimates that Midas captures 24% of the total muffler market, excluding sales to do-it-yourselfers. "Probably our next largest competitor after Sears is the Tenneco stores, Speedy and Car-X," Mr. Moore says.

After diversification into other under-the-car services, major muffler specialists are increasing total volume and opening hundreds of new shops. Midas alone added 92 in the U.S. in 1986, bringing its total to about 1,700 nationwide, 2,000 worldwide.

Midas' "Take it to someone you trust," campaign promotes mufflers, brakes and other services.

Charlotte, N.C.-based Meineke Discount Mufflers has opened 605 shops—mostly east of the Rockies—since the company was organized in 1972. Another 170 franchises are sold and should be operating within the next 18 months, according to Ron Smythe, president.

Toronto-based Tenneco Automotive Retail's two muffler chains, 330-unit Speedy Muffler King, Morristown, N.J., and 120-unit Car-X, Chicago, plan to open at least 50 units this year. Tenneco announced plans for the two specialists to grow to 800 worldwide by 1990.

The expansion is the result of a lucrative market for replacement brakes, a chunk of the $104 billion service and parts market that is growing faster than exhaust work. A major reason for the growth in brake repairs is that brakes wear out faster on the smaller surfaces of today's down-sized cars.

Mr. Moore and other top muffler company executives see the brake and other work filling a gap created when service stations, most of them with repair bays, decreased from a peak of 226,000 just before the Arab oil embargo to about 115,000 in 1987. Franchised specialists in every phase of car repair are stepping into the gap.

Midas was the first to offer brake repairs nationwide in 1978. In 1984 Speedy followed Midas into the brake market and was joined by Meineke in 1985. Mr. Smythe says the growth potential of the brake business compared with that of the muffler's was the main reason for starting up a brake operation.

"Mufflers and brakes go together like ham and eggs," says Meineke's Mr. Smythe. He points out that brake repairs are also under-the-car work and can be handled in the same service bays used for exhaust replacements.

Midas has added other under-the-car repairs. The company began replacing shocks in 1960. Suspension work, including shocks and the lucrative replacement of expensive MacPherson struts in most front-wheel drive cars, plus wheel alignment, account for 15% of total $755 million volume in 1986. Brakes account for 30%, while mufflers and exhausts make up 55%.

Midas' total 1986 ad budget was $65 million, Mr. Moore says. He estimates that $38 million went to TV, $9 million to local radio, $2 million to print and $16 million to Yellow Pages.

"The minute you diversify," Mr. Moore says, "you have segmented your advertising funds. You have to split your message to let consumers know that you are in the brake and suspension business. But we don't want to lose our image as a specialist. We don't want to be thought of as general repairs. That's why we only have three specialties."

To reflect the expansion to more stores and increased total sales volume, Midas allocated an increase of about 8% to its ad budget in 1986, approximately $5 million more than the previous year, Mr. Moore says. A new Midas campaign will be unveiled in March, says Larry Singer, president of the Chicago office of Wells, Rich, Greene, replacing the 2-year-old "Take it to Midas. Take it to someone you trust."

When brake work first became a Midas service, advertising funds were diverted according to forecasts of retail sales. Midas' advertising is segmented according to service mix and geography.

Mufflers, for example, are advertised more heavily in the Snow Belt, where road salts speed deterioration.

Brake advertising is more effective than muffler ads in newspapers, Mr. Moore notes, because it tends to reinforce TV campaigns. Brake work can involve many associated services such as bearings and rotors, which can be covered in more detail in print, he says.

Speedy's ads stress quality and good customer relations. "When consumers recognize they can get brake work from a chain with which they have rapport and trust, they will use it," says Fred L. Karp, Tenneco's senior VP and general manager. He did not estimate, however, the percentage of Tenneco shops' business going to brake work.

At Meineke, total 1986 sales reached an estimated $155 million—8% of which was in brake services—up 30% from 1985. For 1987 Mr. Smythe anticipates a volume of $190 million to $200 million. The company, with 100 shops in New York City, is expanding westward. With a policy of one center for every 50,000 motor vehicles registered, few openings remain in areas such as New England, according to Mr. Smythe.

He labels Meineke "the largest discounter in the United States," and its ads emphasize price. "We bang away at that on TV," Mr. Smythe says. "We try to appeal to the guy who is price-sensitive." Meineke's ad budget of $15 million in 1986 is being bumped up to about $20 million in 1987, he says.

Because the typical muffler customer is any car owner, 18 to 60 years old, according to Meineke's Mr. Smythe, general media are favored in placements. More women are in the customer mix recently, but no special marketing is directed toward them. The specialists are heaviest in local TV, followed by newspapers and then local radio and Yellow Pages.

And the overriding message of those ads is essentially the same as most aftermarket service businesses: Quality and convenience. "What the consumer is looking for is reliable service and to be able to get the car fixed when he requires it," says Tenneco's Mr. Karp.

Julie Candler is a Birmingham, Mich.-based free-lance writer.

Service outlets crowd exhaust market

Along with longer-lasting exhaust systems, another problem for exhaust-system specialists is competition from the proliferation of muffler shops, the many service stations still doing repair work, independent garages, tire, battery and accessory stores, new car dealers and mass merchandisers.

The muffler specialists, however, see trends in the auto service industry working to their advantage. "We have seen a shift away from car dealers and service stations," says Mr. Moore. "So the exhaust specialists are taking up the slack. With 100,000 service stations closed since 1972, you are taking out two to three service bays in each so you have really closed up to 300,000 service bays."

But a spokesman for independent repair facilities disagrees. George W. Merwin III, exec VP of the Automotive Service Association, Dallas, says, "Most of the properties owned by the service station operator are being turned into independent garages, or operators are opening independent stations of their own. These guys are skilled mechanics. They have a whole list of neighborhood customers they have taken care of for two generations. They're not going to sell bread and milk because any idiot can do that."

About 115,000 service stations are now in operation, down from a 1972 peak of 226,000, according to Don Smith, senior editor of Des Plaines, Ill.-based *National Petroleum News*. He estimates that about 50,000 of the remaining stations are "gas-and-go pumpers" with no service offered. But many of those remaining are convenience stores and repair shops with less than 50% of their volume from gas sales. Therefore, they are not counted in the official figures published by the U.S. Department of Commerce.

Charles Boyd, editor emeritus of Lincolnwood, Ill.-based *Super Service Station* magazine, estimates that 90,000 service stations continue to handle significant repair work, beyond oil changes. "Profit from gas doesn't bring enough of a return, so the service stations now are doing a good many of the full repairs," he says. "The average station has probably tripled its repair business in dollar volume, just to take up slack from the other stations."

Despite service stations shifting their emphasis to repairs, it is quite possible the specialists will dominate the automotive aftermarket.

The muffler specialists are confident they can handle all the competition in their marketplace. "The trend is away from the general repair area," says John R. (Ron) Moore, president and ceo of Chicago-based Midas International. "There is no shortage of muffler specialists in major metropolitan areas. But I quarrel with local chains that claim to have a worldwide guarantee. I think it will shake out and competition will begin waning."

—*Julie Candler*

Assistant editor Kevin Brown coordinated this report on Automotive Marketing.

Coming

Next week Advertising Age's Special Report will focus on **Toiletries & Beauty Aids.**

Foreign ad growth

Spending increases beat U.S. gains

An Advertising Age roundup

Foreign ad spending increases will continue to beat U.S. growth but by a smaller margin than last year, according to the latest Advertising Age survey of ad executives in major markets worldwide.

In the face of a soft U.S. ad market, foreign growth is vital to U.S.-based agencies, some of which derive 50% of billings abroad.

The survey results mirror recent predictions by Robert Coen, senior VP-director of forecasting, McCann-Erickson. Mr. Coen predicts a 13% increase in overseas ad spending in 1987, compared with 26.1% during 1986. He also forecasts 7.6% growth for the U.S., compared with 7.7% last year.

(Mr. Coen's figures allow for inflation and have been converted to dollars, while Ad Age's reports do not include inflation and are expressed in the local currency.)

Willi Schalk, BBDO Worldwide president-chief operating officer, agrees with the forecasts.

"In 1987, I think that the industry will have a better year internationally than it will domestically. It was that way last year and it will continue," he said.

Other U.S. agency executives are more bearish. Norman Vale, Grey International senior VP-managing director, said he expects overseas expenditures to grow by "about half" what Mr. Coen predicts.

Increased TV time

More TV offerings will push up 1987 advertising expenditures in France and Italy.

France, where private TV is beginning, is the only European country expected to top its 1986 growth performance of 9.5%.

Sources say the increase will be small, only 0.5%, in part because advertisers are expected to shift funds from other media to test private TV. If successful, advertisers are expected to add more funds to TV permanently.

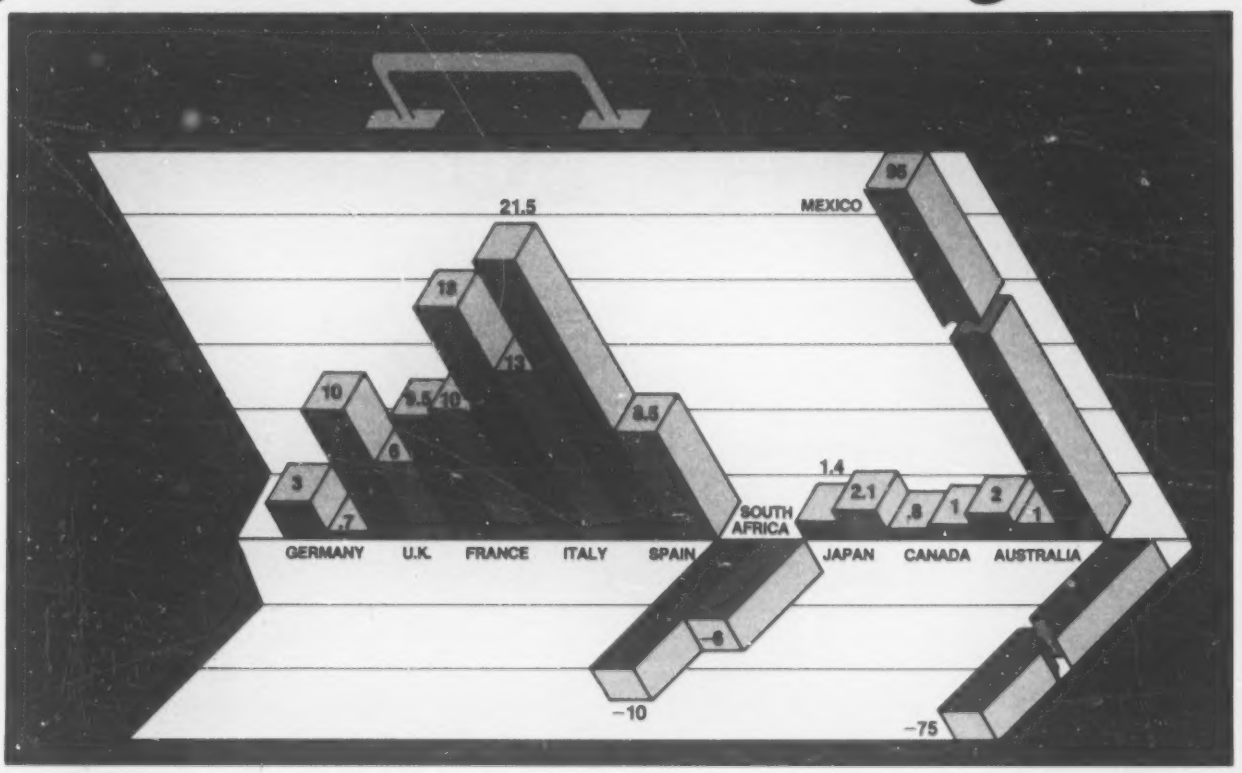
The Italian ad community expects a 13% increase, the highest in the survey, after 18% growth in 1986.

Bill Tragos, TBWA Advertising's ceo, said, "Italy is going to be tremendous this year, with the growing amount of TV time."

Angelo Usai, McCann-Erickson Italiana chairman, attributed the predicted growth to changing attitudes in Italy toward advertising. "Take, for example, the full-page holiday-greeting ad by the Communist Labor Union," he said. "That's a sign of incredible change."

Cautious estimates

Spanish ad executives expect an 8.5% increase in ad spending this year. But U.S. sources consider that figure too low, saying U.S. companies with new Spanish subsidiaries and Spain's entry into the European Economic Community will provide a bigger boost.



Hikes seen in France, Japan, Canada

A survey of industry experts worldwide indicates ad spending growth rates will increase in France, Japan and Canada this year. The other surveyed countries' spending will not grow as quickly as in 1986. *Source:* Advertising Age.

In 1986, Spain's ad expenditures jumped 21.5%, pushed by two elections and a 48% increase in the government's ad budget.

The U.K. had 10% growth in 1986, thanks to an increase in TV ad rates and advertising for one-time events, such as the denationalization of British Gas and the deregulation of the London stock exchange.

A more conservative 6% increase is expected in 1987.

Mike Waterson, U.K. Advertising Association's research director, said forecasters are exercising caution because "there could be an election which would bring a left-wing Labour government to power."

Growth in Sweden is expected to slow to 5%, after a 10% gain last year, despite the country's first consumer-spending boom in a decade.

Gunnar Anderson, Grey Svenska managing director, said, "If companies can move merchandise without advertising, then why do it?"

Falling dollar

The falling dollar and low inflation are spoiling chances of strong growth in Germany and Japan.

Germany anticipates only 0.7% ad growth this year. Bright spots are anticipated budget increases in auto, office equipment and service sectors, sources say.

Japan expects 2.1% ad growth, and budget increases are expected in the entertainment, financial and travel sectors.

"The strong yen has put Japan in a difficult position. For the first time, they are hurting," said Murray Smith, president-international operations, Bozell, Jacobs, Kenyon & Eckhardt.

Some U.S. sources predict long-term improvement for the German and Japanese economies.

McCann's Mr. Coen said, "Things are gradually getting stronger. They are still growing, but it's very slow."

Though the strong dollar may hurt local ad spending, it helps U.S.-based agencies when converting profits into dollars.

Economies, politics

Latin America's two strongest ad markets, Brazil and Mexico, are plagued by inflation and plummeting currencies.

In Brazil, 1986 was the year of the inflation-fighting Cruzado Plan. The price and wage freeze held down inflation but created product shortages and forced big advertisers to cancel ad spending. As a result, said Roberto Duailibi, partner in Duailibi Petit Zaragoza Propaganda, ad spending grew only 4%.

Now that the Cruzado Plan has expired, inflation could be as high as 50% to 250% in 1987, creating ad growth estimates from zero to 20%.

Ad spending in Mexico climbed 95% last year. The jump resulted from World Cup-related ads and giant TV consortium Televisa's 170% rate increase.

This year, with the peso expected to fall further and inflation predicted to hit 150%, ad expenditures are expected to drop 75%.

BBDO's Mr. Schalk has confidence Brazil and Mexico will control skyrocketing inflation. "One of the plans one day will work. It will have to work," he said.

In South Africa, continuing political and economic woes will cause ad spending to fall an estimated 6% this year, the country's fourth consecutive decline. Ad spending levels fell 10% in 1986.

Major advertisers, including General Motors Corp. and IBM Corp., left the country last year. With smaller budgets and fewer advertisers, more agencies and newspapers may collapse or merge this year.

Australia's soft economy was reflected in its 2% ad expenditure growth in 1986.

Malcolm Spry, group managing director of Mojo MDA, said, "It seems 1987 is going to look very like 1986. We cannot see any major cutbacks, but I can only see modest growth—just a fraction better than inflation." This year's ad growth in Australia is expected to be only 1%.

Like Australia, Canada expects 1% ad growth in 1987, compared with 0.8% growth in 1986.

Hugh Dow, MacLaren Advertising's national media director, said, "We're looking at the same sort of picture for '87: minimal or neglible increases in spending for the majority of accounts."

Sources say Canada's performance can be tied to the lack of growth in the U.S. Grey's Mr. Vale said, "There is a tremendous affinity between the two countries. It's very difficult to separate the two's [performance]."#

Contributing to this report were Julie Skur Hill, Claire Wilson, Michelle McCarter, Marina Specht, Sean Milmo, Jack Burton, Dagmar Mussey, David Kilburn, Julia Michaels, Stephen Downer, Des Kilalea, Geoffrey Lee Martin and Chris Kucway.

World News Roundup

(Continued from Page 3)

two-year campaign to promote its free trade initiative with the U.S.

London—The Independent daily newspaper is seeking an agency after Saatchi & Saatchi resigned the $4 million account to prevent a conflict with Rupert Murdoch's News International newspapers.

Montreal—J. Walter Thompson Co. is closing its 18-month-old Enterprise Advertising Associates here Feb. 27.

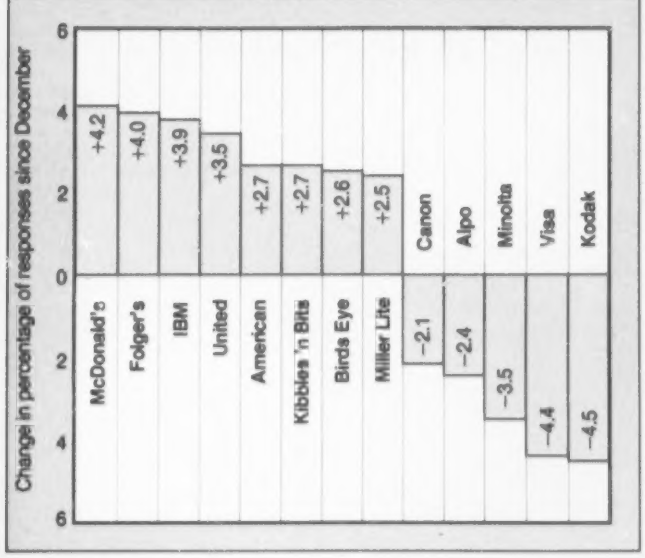
Sydney—Amatil mineral water is seeking an agency after Leo Burnett Co. resigned the $1.3 million account. Burnett stepped aside to avoid a possible future conflict with PepsiCo. PepsiCo recently dropped J. Walter Thompson Co. from its German and Mexican accounts.

Milan—Movie director Martin Scorcese filmed a TV spot for designer Giorgio Armani's Emporio Armani clothing line, handled in-house. It will break March 1.

On the move: Jeremy Bullmore, chairman, J. Walter Thompson Co., London, will retire in about a year after 33 years with the agency. Designated to succeed him is **Allen Thomas**, deputy chairman-executive creative director.

January winners and losers

Question: Of all the advertising for (product category) you have seen, heard or read in the past 30 days, which ad first comes to mind? *Source: SRI Research Center Inc., Lincoln, Neb.*



Print

(Continued from Page 6)

ever, as awareness of MasterCard's "Master the possibilities" advertising dropped to 18.9% of first mentions last month from 21.2% in December.

Bucking the trend and posting an increase in top-of-mind awaress was American Express, which extended advertising of its Buyer's Assurance warranty program beyond its originally planned Dec. 31 end date. Its share of first mentions moved up to 12.2% from 10.9% in December.

Among other significant changes in awareness shares in January:

- When the 1,000 January respondents were asked to name the advertisement from any category that first came to mind, their **top 10** were, in descending order, McDonald's; Coke, Miller/Miller Lite, Budweiser/Bud Light; California Raisins; Chevrolet; Pepsi; Chrysler; Procter & Gamble's Pampers disposable diapers; and E. & J. Gallo's Bartles & Jaymes wine cooler.
- IBM closed the gap between its awareness score and that of traditional category leader Apple. Big Blue's advertising came to mind first for 21.2% of the sample in January, up 3.9 points from 17.3% in December. Apple still led the **computer** category with 22.3% of first mentions. Tandy Corp.'s Radio Shack was third with 2.3%.
- The **coffee** market lately has displayed as much bitterness as a reheated cup of its own product. Companies have charged competitors with scare tactics, misleading advertising and worse.

One advertiser stirring controversy has been Procter & Gamble Co., whose advertising for Folgers Crystals, making a taste comparison with a leading decaffeinated brand, reportedly drew an official protest from rival General Foods (AA, Jan. 12). Controversial or not, consumers have noticed and remembered Folgers', advertising. Its share of first mentions last month rose 4 points to 27.1%. Maxwell House was second with 20.8%; Hills Bros. third with 4.2%.

New advertising for General Foods' Sanka brand and Nestle's Taster's Choice, which broke too late to significantly affect January responses, should make this a category to watch in coming months.

- Another especially active and fluid market has been the **airline** industry, and the post-holidays blitz of fare-reduction advertising had on effect on the January ad-Watch numbers.

United Airlines' "I need a vacation" message apparently struck a responsive chord, as its advertising came to mind first for 18.2% of the sample, up 3.5 points from December. American Airlines' awareness score was up 2.7 points to 11.5%, strong enough for second place, while TWA was third with 7.6% of first mentions.

- Consumers apparently had had their fill of snapshot-taking during the holidays, and thus weren't as interested in advertising for **cameras** during January. Longtime category leader Kodak retained the No. 1 spot, but its share of first mentions tumbled to 15.3% last month from 19.8% in December. Advertising for Canon came to mind first for 9.7%, compared with 11.8% a month earlier, and No. 3 Minolta's share dropped to 6.7% from 10.2% in December.#

For additional information or data, contact SRI Research Center, 301 S. 68th St., Lincoln, Neb. 68506. Phone: (402) 489-0351.

'Calif.' sets up ad pact

Los Angeles—*California* has signed a combination-buy agreement with *San Diego Home & Garden. California* also will represent *SDH&G* on the East Coast.

Saatchi forms 4-person unit to run outposts

By LAUREL WENTZ

London—Saatchi & Saatchi Compton Worldwide is setting up a new four-person unit to run the agency network outside the U.S.

The new operation, named Saatchi & Saatchi Compton International, is designed to bring other agencies in the network up to the creative standard of Saatchi's London shop.

SSCW operates in 53 countries through 45 wholly owned and 47 affiliate agencies. Its billings, which exceeded $3 billion in 1985, are split almost 50-50 between the U.S. and the rest of the world.

T. Bannister

A. Lloyd

"Saatchi in the U.K. has always been the light that illuminated the rest of the network," said Terry Bannister, who is moving from joint managing director of Saatchi in London to joint chief executive international of the new unit. "It's the center of creative excellence and dynamism. For some time we've been beginning the process of spreading what we think Saatchi has [in London] throughout the network."

Two of the four men who will be in charge of the non-U.S. operations were among the original founders with Charles and Maurice Saatchi of the London agency in 1970.

Jeremy Sinclair, 40, a top British copywriter who was given his first job by Charles Saatchi and rose to become creative director and chairman of the London agency, will have the title of joint chairman international. The other joint chairman will be Alban Lloyd. The 50-ish Mr. Lloyd joined Saatchi two years ago from McCann-Erickson to become chairman for Europe.

Joining Mr. Bannister as joint chief executive international is Roy Warman, 38, who also is moving from joint managing director at the London agency. Mr. Bannister, 40, joined Saatchi in 1973 as an account handler. Mr. Warman has been with Saatchi from the start in various roles, including media director and commercial director.

All four will continue to be based in the London agency. They will report to SSCW Chairman Milt Gossett. Ed Wax, ceo of the U.S. operation, also reports to Mr. Gossett. The new positions, which were announced to Saatchi staff last week, take effect immediately.

The new team will bring international creatives to the London office frequently and also will look for acquisitions, which are expected to continue in Europe. The Saatchi executives said they plan to do an "audit" of Latin America, where Saatchi has mostly non-equity affiliate arrangements rather than equity in agencies.

Market analysts said the new structure would be ideal to handle the absorption of Ted Bates Advertising. Many outsiders believe Saatchi will combine the Bates and Saatchi agencies in markets where both exist.

"They are trying to bring to the handling of multinational clients a more cohesive manner, and it could be the precursor to a move of some Bates units into Saatchi," said an industry analyst at a London stockbroker. "They could put some Bates units around the world into DFS Dorland where there is a duplicity of offices and the remainder could move into Saatchi."

Although SSCW handles business for more than 40 clients in at least five markets each, according to the Saatchi annual report published this month, the development of more global clients like British Airways is hampered by the uneven quality of the network.

"Most of the clients of the network have expressed a desire for more uniformity of standards and delivery," Mr. Warman said.

"The objective is to get more new business from existing and new clients by improving creative standards around the world," Mr. Bannister said.#

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SSC&B:Lintas leads Unilever pack

McCann-Erickson a surprise loser; JWT also failed to gain

By PAT SLOAN

NEW YORK—Ogilvy & Mather may have won big in Unilever's $70 million account shuffle this month (AA, Feb. 16), but SSC&B:Lintas Worldwide remains entrenched as the international marketer's lead agency.

Also, McCann-Erickson is perceived as having come out on the short end.

That assessment of the Unilever shake-up of Chesebrough-Pond's agencies emerged after the elevation of Unilever director Morris Tabaksblat to chairman of the Westport, Conn.-based marketer, succeeding Ralph Ward.

Agency sources estimated Unilever's worldwide ad spending now stands at $1.6 billion, with SSC&B:Lintas, which did not figure in the realignment, holding 50%.

The major agencies trailing Lintas are O&M and J. Walter Thompson Co., tied for second place, followed by McCann and BBDO Worldwide.

Although McCann picked up the Vaseline brand worldwide, the bulk of Chesebrough's international billings was not consolidated at McCann as Chesebrough had intended before the Unilever deal (AA, Sept. 1).

Sources declined to speculate whether JWT's financial problems were a factor in its failure to gain more business.

William Esty Co., part of the Saatchi & Saatchi agency network, lost more than $20

NEWS ANALYSIS

million in Chesebrough billings as Unilever yanked Vaseline brand products and Prince Matchabelli division fragrances.

Agency sources said Esty's dismissal was unrelated to the fact that Saatchi & Saatchi works for Unilever rival Procter & Gamble Co. (AA, Dec. 8).

One source explained that "even before P&G got a chance to stomp its foot" Unilever initiated the move out of Esty to focus on agencies with worldwide capabilities.

Unilever also wanted to start reorganizing Chesebrough's personal products with an eye toward combining them with compatible business at New York-based Lever Bros. (AA, Dec. 8).

Even if Chesebrough had remained independent, Esty most likely would have lost out, insiders said.

"Chesebrough's international review was a prelude to going worldwide on all fronts," one source said. "Under that plan, McCann would have first picked up Vaseline and Pond's internationally and then worldwide."

Waring & LaRosa lost more than $13 million in billings as it parted with Aziza makeup and Cutex nailcare and makeup, but two other Chesebrough brands, Ragu and Adolph's food products, remain at W&L.

As Unilever assimilates Chesebrough, the W&L status may change, because Mr. Tabaksblat is said to be considering moving responsibility for Ragu and other food products into Unilever's Thomas J. Lipton Inc. unit. But that presumably would occur after he merges Chesebrough's U.S. toiletries and beauty aids with Lever's. The unified operation would retain the Chesebrough name.

Under this plan, international operations might be merged country by country.

The head of the new unit is not expected to be announced before March.

Wayne Nelson, president of Lever Bros.' personal-products operation, is considered the top contender for the post, followed by Chesebrough President Robert Phillips and George Goebler, president of Chesebrough's consumer products unit.

Based on O&M's score in the Chesebrough review, where it gained an estimated $55 million in domestic billings alone, the agency is being tagged as Unilever's favorite new personal-products shop. This despite the fact that SSC&B:Lintas handles an estimated 70% of all Unilever personal-care products.

However, SSC&B:Lintas has limited its own expansion in this area. As an agency for both Noxell Corp. and Johnson & Johnson, it could not take on any of the prime Chesebrough business because of conflicts. And the agency has let Unilever know it will not resign business to take on new business.

Because the Lintas part of the agency was a Unilever-owned house shop before its acquisition by Interpublic Group of Cos. and merger with SSC&B, executives at rival agencies say it can afford to take that stance and also rest assured that it will remain Unilever's top shop for some time to come.#

Food

(Continued from Page 1)

tising while another $609 million will go toward consumer promotion and merchandising activities.

Kraft Inc., which reported it will spend an additional 13% on advertising this year, also will "take off its conservative hat and concentrate on line extension," according to Chairman-ceo John Richman. The company had feared line extensions would cannibalize existing brand share, Mr. Richman explained. But with the recent success of several new Velveeta items, Kraft is ready to move full steam ahead in this area, he said.

Mr. Richman noted that Kraft expects lower media costs to give its $471 million ad budget "a bigger bang for our buck."

At General Foods, marketing spending is expected to increase 16%, said President-ceo Philip Smith. GF's "most ambitious" new-product thrust is in the convenience meal area, he said; as previously disclosed, the company is testing four separate food lines under the Fresh Creations, Culinova, Impromptu and Ronzoni brands. With the exception of Ronzoni, all are new brand names.

Support behind food, restaurants and retailing at Minneapolis-based General Mills will increase about 16%, to $367.7 million, this year, after a similar increase last year.

Its Minneapolis neighbor and rival, Pillsbury Co., said its advertising and promotional spending will increase about 8%, to $540 million. About 40% ($215 million) of that budget will go toward advertising while 60% ($325 million) is earmarked for trade and consumer promotion.

U.S. foods division Chairman Thomas McBurney said the company relies heavily on promotional activities because Pillsbury's product mix is heavily skewed toward commodities (flour, vegetables, etc.). He noted, however, that the emphasis on promotion is less this year; last year's ad-to-promotion ratio was closer to 35% to 65%.

Executives of RJR Nabisco said the company's marketing expenditures will continue at "high levels." Total marketing dollars on the food side were up 13% in 1986, while advertising and promotion rose 15%. The company made no specific disclosures about '87 spending for its food businesses.

The company said that spending for its tobacco business will remain at the same level in the U.S., while international marketing investments will increase 30%, on top of a 22% increase in '86.

E.A. Horrigan Jr., chairman-ceo of R.J. Reynolds Tobacco, noted that 23% of his unit's budget went into merchandising, up from 17% the year earlier. That money primarily came out of media advertising, he said.

Hershey Foods expects to boost its spending by 12%, to $244.3 million, with about 60% of that going to advertising, according to Chairman Richard Zimmerman. Borden, meanwhile, said its advertising and promotion spending will increase about 8% this year, to more than $300 million.

The largest percentage increase is coming from Gerber Products, Fremont, Mich., which boosted its ad budget last year 50%—to $15 million—in an effort to recover from negative publicity surrounding reports of product contamination (they turned out to be false). This year, the company plans another 30% increase, to $20 million.

Anheuser-Busch Cos. plans to increase ad spending 7% to 8% this year. Among A-B's new-product activities is the expansion into the East of its Saratoga and a Sante bottled waters as well as the introduction of Zeltzer Seltzer *(see separate story, Page 90)*. The company also plans to roll out El Charrito frozen Mexican foods and expand its Eagle non-nut snacks.

Other new-product plans:

- **Quaker** has added two new items to its Aunt Jemima breakfast-food line—Toaster Browns hash browns, rolling into national distribution this month, and Homestyle Breakfasts, now testing. More new products are expected from Aunt Jemima "in the coming months" given strong sales trends across the breakfast categories, according to Quaker's Mr. Rhodes.
- **Kraft** Light Natural Cheese, an extension of its regular Natural Cheese, rolls national later this month, along with a light version of Philadelphia brand cream cheese. Bull's Eye barbecue sauce, a superpremium extension of Kraft's No. 1-selling regular barbecue sauce, is going into half the country now and should be fully national by the end of the year.

Kraft also is testing a line of Cajun sauces and ingredients called Makin' Cajun in two markets, and a new line of four chicken-based packaged dinners called Applause!

It also is taking another shot at the frozen prepared-dinner market, with Kraft Blue Box dinners. Kraft San Francisco Sourdough frozen bread, a joint venture with a San Francisco-based bakery, is rolling national this spring.

- **General Mills'** new Oatmeal Raisin Crisp cereal will hit shelves in the spring. Retail sources estimate total spending for the ready-to-eat cereal to be between $18 million and $23 million.

Betty Crocker Suddenly Salad prepared salad mixes, testing in three markets since late last year (AA, June 30), goes national this month. The company's Gorton's frozen seafood unit is adding Microwave Gorton's Crunch Filets and Sticks.

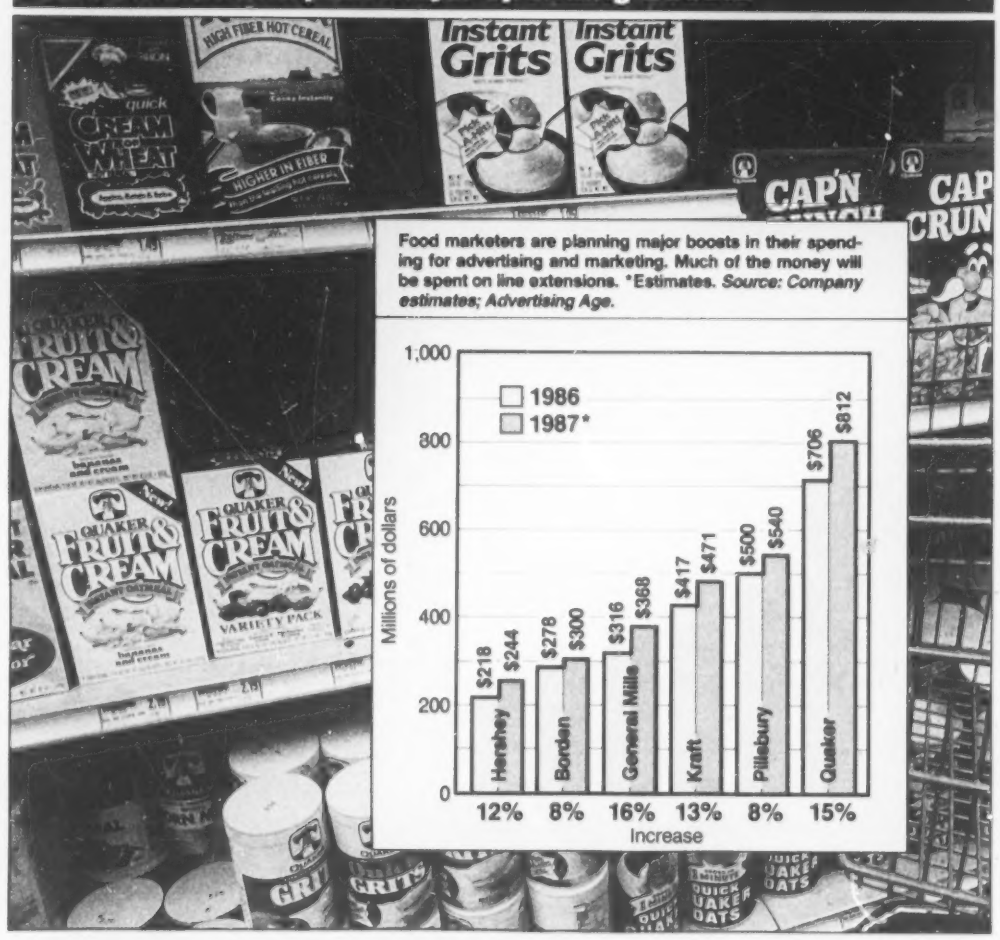
Big G also continues to expand its fruit-snack business, with Fruit Swirl bars, a combination of dried fruit and cream in bar form. Another new item high on its agenda is Yoplait soft frozen yogurt, which is rolling national.

- **General Foods** hopes to help its beverage business with an aseptic-package version of Kool-Aid and Tang. The company also plans to introduce two new cereals into test this year.
- **Hershey's** Bar None, a chocolate bar now testing, is expected to be in national distribution by yearend, while Grand Slam (a bar combining chocolate and caramel) is being reformulated after disappointing test-market results. The company's New Trail granola bar is being revamped, with packaging to emphasize the Hershey name.

The company also said it would consider adding a frozen Italian entree line under its acquired American Beauty pasta label.

- **Borden** will add another ice cream novelty to its stable this summer, carrying the Cracker Jack label.#

Food marketers plan major spending boosts



Food marketers are planning major boosts in their spending for advertising and marketing. Much of the money will be spent on line extensions. *Estimates. *Source: Company estimates; Advertising Age.*